FREIGHT TRAFFIC ISSUE

Three Rate Ideas That Shippers Like... p. 13

January 30, 1961

RAILWAY AGE *weekly*

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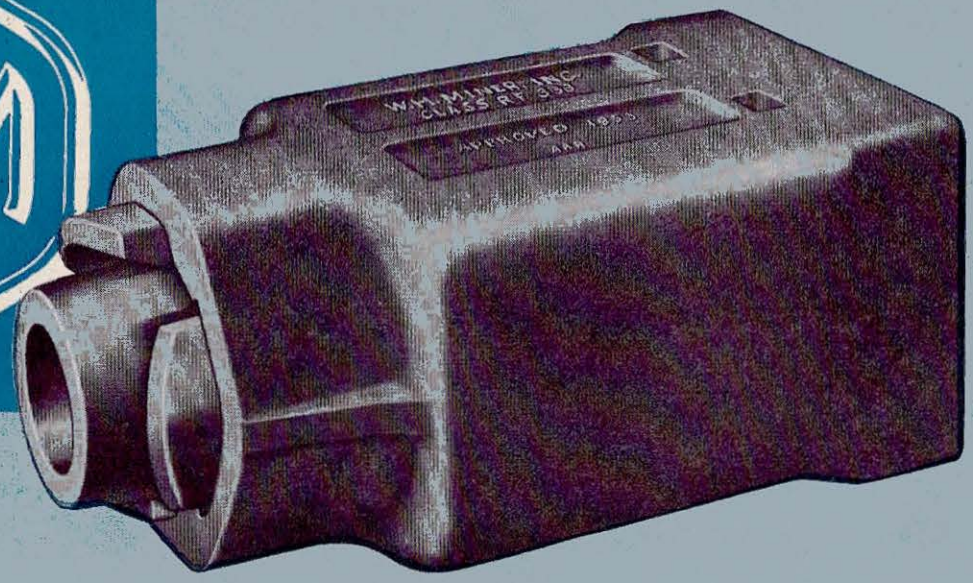

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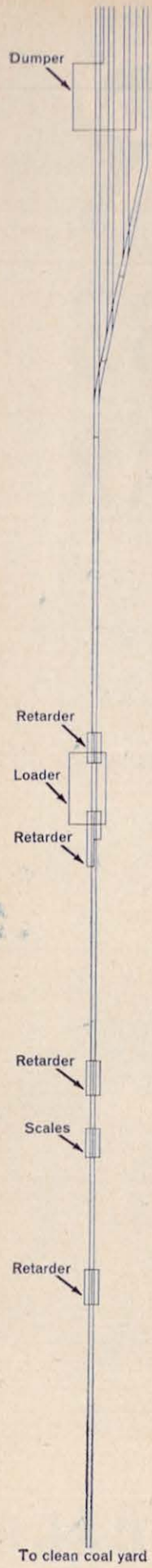

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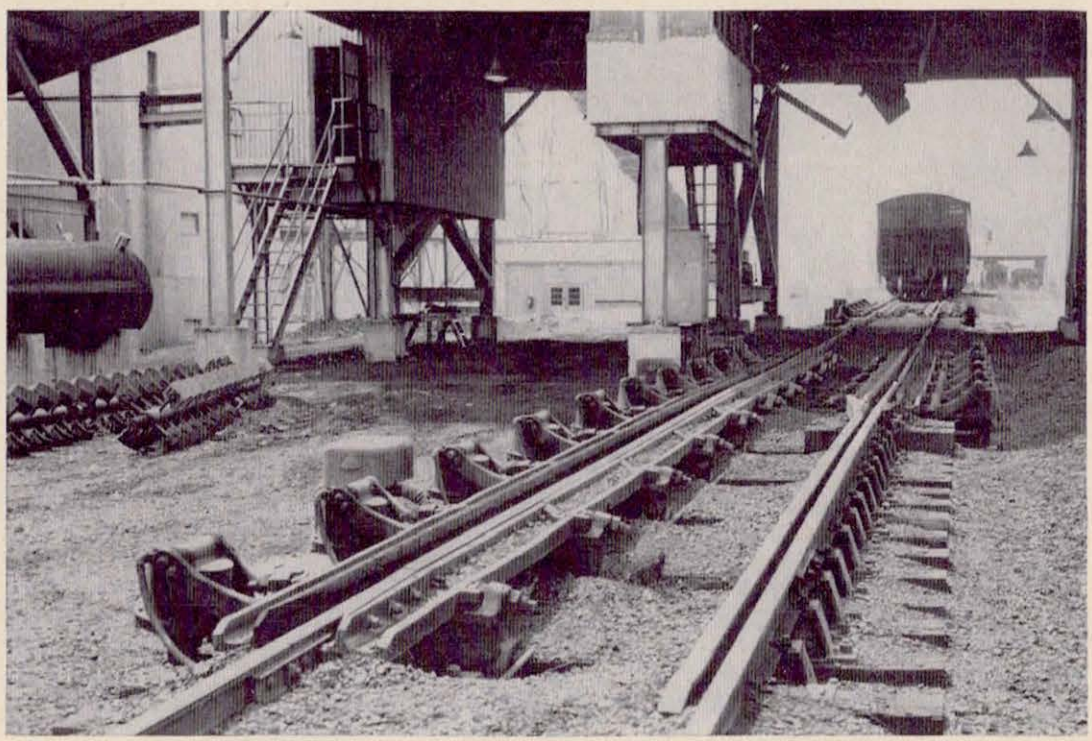
The first retarder receives and controls empty cars before the loading. Under the loader the cars are slowed down by the second retarder, then move gradually to receive an even load distribution. The third retarder slows the loaded cars for accurate weighing. Just before the coupling, the cars are brought to a complete stop by the fourth retarder.

Empty cars moving to loader are controlled by first retarder, in background. This retarder arrangement provides for availability of 8 empty cars in advance of loading point. As loading progresses, second retarder, in foreground, controls movement of cars being loaded. This system of car handling moves cars with accuracy, assures a full, evenly distributed load.



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RAILWAY AGE *weekly* January 30, 1961 • Vol. 150, No. 5

Week at a Glance

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Will Mitchell step down? ....p. 9

The former labor secretary has indicated that he will resign as chairman of the Presidential commission on railroad working rules if other members of the panel—at a meeting Feb. 6—express reservations about whether his forthcoming political campaigning in New Jersey will diminish his effectiveness as a labor peacemaker.

Cover Story—Three rate ideas shippers like....p.13

The railroad rate structure must be up-dated, say most respondents to this month's Traffic Poll. But there's no general agreement as to the "whys" and "wherefores."

Cover Story—Who'll carry the nation's grain? p.16

What's being done to keep grain on the rails, what else can be done, and what more is likely to be done, were discussed at a Railway Age roundtable in Minneapolis.

PFE cars cut shipping costs p.35

Five hundred of the line's 40-ft ice reefers are being equipped with Ice-Tempco systems, which may be installed in an additional 500 PFE cars. The systems permit precise temperature control, increase a car's lading capacity.

The challenge of technology p.40

Technological change on the railroads was the subject of a high-level conference last week at Northwestern University. The role of management, labor and the regulators in putting technology to work on the rails was thoroughly (and critically) discussed.

What containers need now p.43

To reach full potential, containerization must solve problems involving standardization, labor, development costs and coordination between various transport modes.

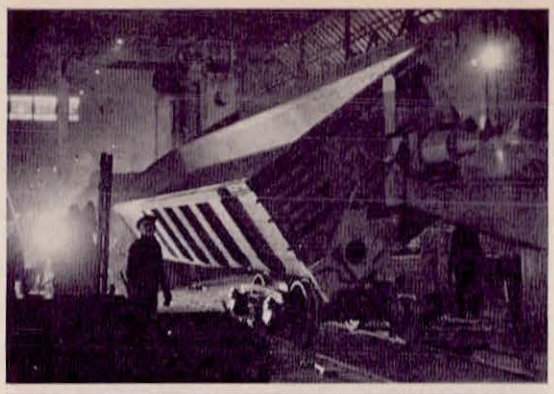
Washington eyes merger moves p.51

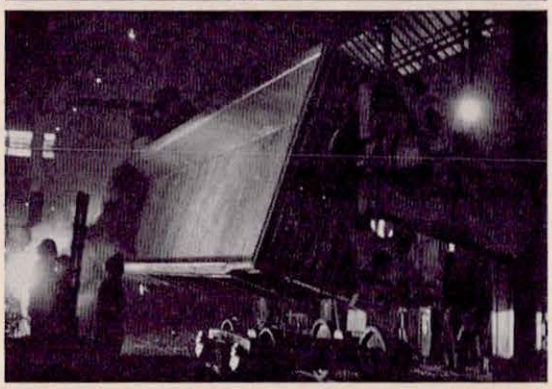
The ICC is investigating NYC and C&O purchases of B&O stock. The Justice Department, meanwhile, is studying anti-trust aspects of several merger drives.

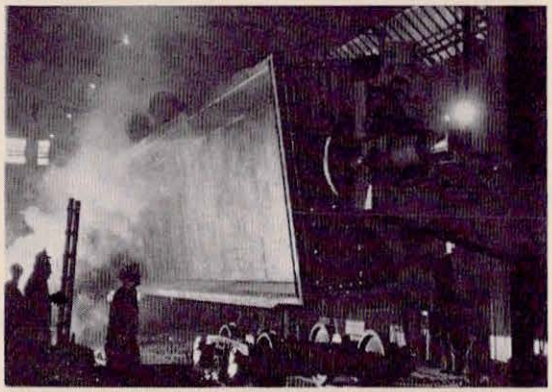
The Action Page—Why the 'hush, hush?' p.54

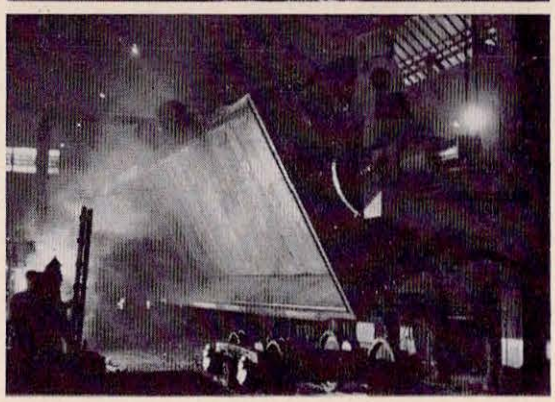
The Presidential commission on railroad working rules will work in executive session—that is, with press and public excluded. This procedure invites failure of the commission's purpose.

GENERAL AMERICAN UPSETS TRADITION TO BRING YOU BETTER FREIGHT CARS









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Week at a Glance CONT

Current Statistics

Operating revenues	
11 mos., 1960	$8,782,777,302
11 mos., 1959	8,979,398,045
Operating expenses	
11 mos., 1960	6,951,724,230
11 mos., 1959	7,050,235,908
Taxes	
11 mos., 1960	945,064,644
11 mos., 1959	958,748,814
Net railway operating income	
11 mos., 1960	549,744,777
11 mos., 1959	671,185,991
Net income estimated	
11 mos., 1960	393,000,000
11 mos., 1959	484,000,000
Carloadings revenue freight	
2 wks., 1961	955,403
2 wks., 1960	1,195,594
Freight cars on order	
Jan. 1, 1961	21,070
Jan. 1, 1960	43,870
Freight cars delivered	
12 mos., 1960	57,047
12 mos., 1959	37,819

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Short and Significant

SP control of WP . . .

"will better serve the public," said Union Pacific in announcing its opposition to control of WP by Santa Fe. Meanwhile, Santa Fe termed "unsatisfactory" an SP proposal that joint trackage rights over the Bieber route be held by WP and Santa Fe if SP is granted stock control of WP.

First missile-launcher car . . .

left ACF's Berwick, Pa., plant last week for Seattle, Wash., where Boeing will outfit the interior with launch gear. Developed jointly by ACF and AMF, the car is 88 ft long over couplers, resembles a baggage car.

Illinois Central will receive $35 million . . .

for air rights over a six-block area in downtown Chicago. A $150-million office building-hotel complex is planned for the site, which developers call "the greatest undeveloped piece of real estate in the world."

Transport undersecretary . . .

at the Department of Commerce will be Clarence D. Martin, Jr., an automobile dealer of Los Angeles, Calif. He has been appointed by President Kennedy to succeed John J. Allen, Jr. In announcing the appointment, the President said he and Secretary of Commerce Hodges look to Mr. Martin "to bring new vigor and fresh ideas to the complex duties of the important post."

Annual savings of $950,000 . . .

are anticipated by Pittsburgh & West Virginia in a cost-cutting program that includes a 30% reduction in supervisory and other exempt personnel; "substantial" salary cuts for those remaining who earn over $7,200 a year; moving of general offices from downtown Pittsburgh to the main railroad yards.

Railroad employment continued to decline . . .

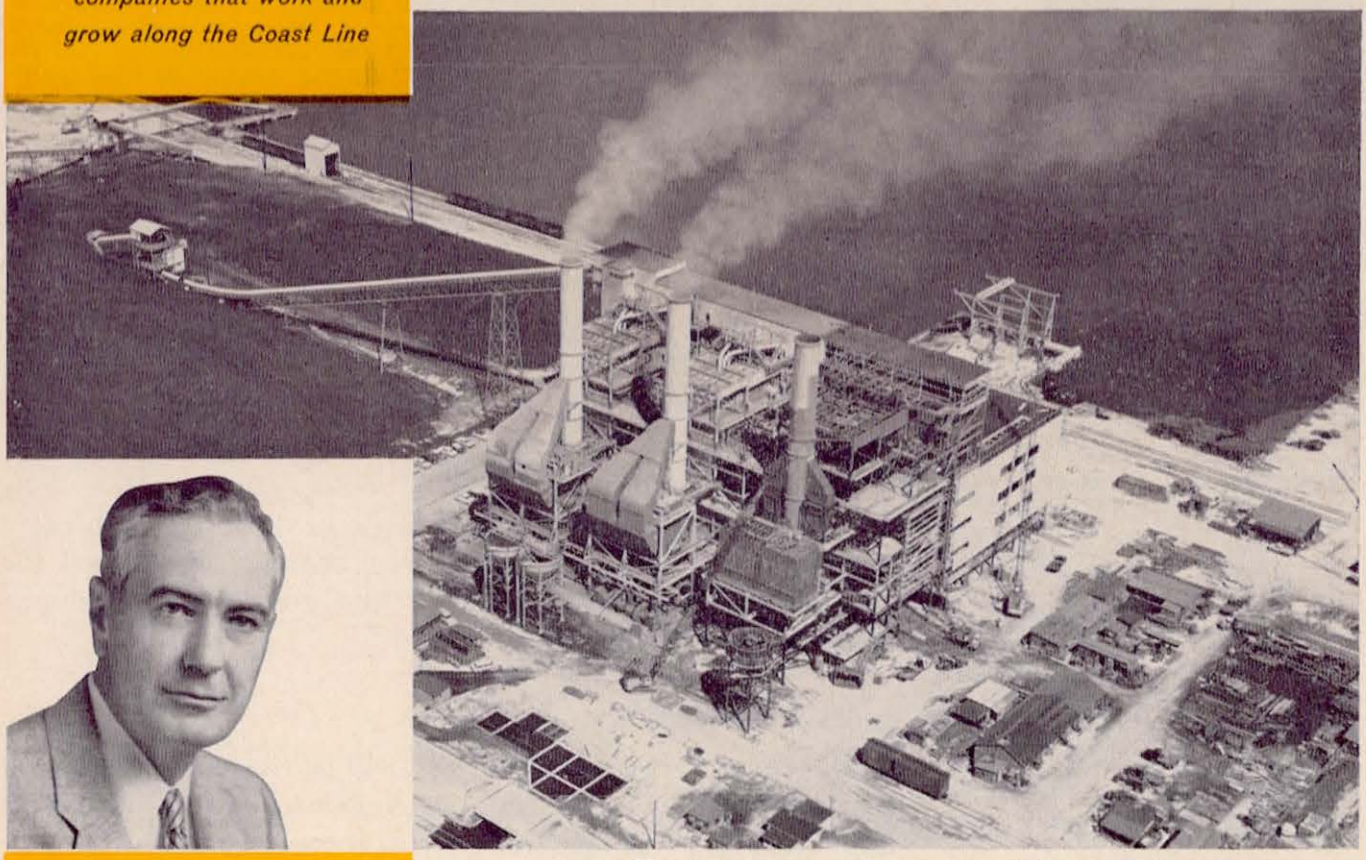
last month. The average number of employees in mid-December totaled 734,585, 1.19% below November 1960 and 7.64% below December 1959.

LIRR has politely rejected . . .

the BRT's offer of a $250,000 loan for one year with interest. Long Island said it was "glad labor recognizes that it has a stake in keeping the railroad running," but said it needed a long-term solution to its deficit problems (RA, Jan. 9, p. 36).

One of a series spotlighting the companies that work and grow along the Coast Line

Shippers Along the Coast Line



William C. MacInnes, president of Tampa Electric, has been connected with the electrical utility industry in various capacities for the past 33 years. He is a native of Novia Scotia, and holds a master's degree in electrical engineering from M. I. T. Prior to joining Tampa Electric in 1954 he served as vice president of Stone & Webster Service Corp. of New York. In addition to his duties as president of Tampa Electric he holds directorships on the boards of a number of other companies and is active in many local civic organizations.

Tampa Electric Company's Gannon Power Plant at Sutton, Florida

Two Carloads of Coal an Hour

Supplying electric power to meet the fast-growing needs of Tampa Electric Company's West Florida service area is no easy job. Just to keep ahead of demand the company has had to maintain a continuous expansion program, and plans are being made to invest another $150 million within the next five years.

The newest project is a third generating unit at the company's steam-operated Gannon Power Plant. When it goes into service later this year, it will boost the plant's capacity from 260,000 to 435,000 kilowatts—an output which will require approximately 2,600 tons of coal a day or an average of two carloads of coal every working hour!

To secure such quantities of coal at reasonable cost demands bulk shipping services of the most economical and efficient kind available. This is exactly the type freight services Coast Line provides—and not only for heavy volume shippers but for all our shippers. Try us and you'll find Coast Line gives you more for your shipping dollar. More economy, dependability, and individual attention than you've known before. Call on Coast Line soon.

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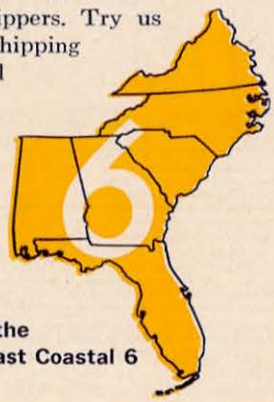


...serving the Southeast Coastal 6

Will Mitchell Step Down?

► **The Story at a Glance: The Presidential commission on railroad working rules faced the possibility last week that it may have to go shopping for a new chairman. Former Labor Secretary Mitchell now heads the commission—but a question as to his continued suitability for the post was raised after he became an active candidate for the Republican nomination for governor of New Jersey. A decision on whether he will remain on the commission is due next week.**

Meanwhile, President Kennedy is preparing to appoint a second commission—comprised of the public members on the current panel, but new carrier and union members—to consider the "job-freeze" issue which led to a strike of railroad harbor workers in New York. The second commission will go to work after the first has submitted its report.

James P. Mitchell doesn't think that his political aspirations disqualify him for leadership of the Presidential commission that for the next year will be probing the ticklish issue of railroad working rules. But he will leave the decision up to other members of the panel.

Mr. Mitchell has said that when the 15-member, Eisenhower-appointed commission meets in Washington Feb. 6, he will ask other members how they feel about his continuing in the job. Reportedly, he will resign the chairmanship if either union or management representatives express reservations about his continued effectiveness.

It was disclosed last week that AAR President Daniel P. Loomis, at a private luncheon in Washington several days earlier, told Mr. Mitchell that some railroad men had expressed concern as to whether the task of campaigning in New Jersey would leave the former labor secretary with enough time and detachment to carry out his commission duties effectively. Mr. Mitchell will seek the Republican nomination for the New Jersey governorship in a contested primary this spring.

Mr. Loomis emphasized that no question as to Mr. Mitchell's integrity had been raised.

Mr. Mitchell then decided to put the question to the entire commission.

This development came as a crippling railroad harbor strike in New York was settled with agreement by the unions and the carriers to submit the major issue—union demands for a "freeze" of railroad tugboat jobs—to a second commission to be appointed by President Kennedy.

A carrier spokesman said the Administration had agreed to issue an executive order, within 30 days after the end of the New York harbor strike, appointing the new commission. It will consist of the five public members on the present work rules commission, and new carrier and union representatives. The first commission, exploring the general area of railroad working rules, is to submit its report by next Dec. 1, although there is a provision for extending the deadline to March 1, 1962. The second commission will then go to work, taking up the railroad harbor workers' job-stabilization demands. The recommendations of this commission are to be presented within 60 days after issuance of the report of the first commission.

The New York strike settlement came within 24 hours after Labor Secretary Arthur J. Goldberg flew to New York on the invitation of Governor Rockefeller and on the instructions of President Kennedy. In rapid order, three maritime unions withdrew pickets that had forced the shutdown of the New York Central and the New Haven over a wide area (RA, Jan. 23, p. 9), the

Commuter Aid: 3 Plans

There was hopeful news for railroad commuters on three fronts last week.

• In Pittsburgh, the Pennsylvania unwrapped a "bold new plan" for city-supported, modernized suburban service. Under the PRR proposal, the Allegheny County Port Authority would purchase 39 new self-propelled passenger cars which PRR would operate on a contract basis. Fares would be slashed, service would be fast and frequent. PRR drew up the plan at the request of the Port Authority following the railroad's announcement that it planned to abandon its deficit laden Pittsburgh suburban trains. The proposal would produce an estimated annual deficit of $2,300,000 for the Port Authority —but PRR noted that this would be "less than the cost of building half a mile of the Penn-Lincoln Parkway, which can't move nearly so many people so fast so far and from so many places over its entire length."

• In New York, the legislature approved a constitutional amendment putting the state's credit behind $100 million in securities to finance the purchase of railroad commuter cars. The amendment will go to the voters next November. The Port of New York Authority will administer the plan, which calls for the lease of 400 new cars to commuter roads.

• Meanwhile, a four-state "save the New Haven" committee, set up last October to look for ways to help the railroad through its financial crisis, came up with a plan which it says would provide the road with an extra $13,700,000 a year for the next four years. It calls for tax relief and other financial aid from the four states. (New York, Connecticut, Rhode Island, Massachusetts) and communities served by the road, to the extent of $6,200,000 a year; repeal of the 10% federal excise tax on non-commuter passenger fares, with no reduction in present fares, bringing in another $3,000,000; 10% fare hikes to produce $1,500,000 a year; and "cooperative action by bondholders and by labor and management" to effect savings of $3,000,000 a year. Late last week the ICC advised public officials of states and communities served by the New Haven that it cannot authorize further loan guarantees for that road unless there is "substantial financial aid at the state and local levels early in 1961." The ICC has so far guaranteed over $18 million in loans to the road but says it can't "provide a recurrent subsidy."

railroads began thawing switches and clearing snow drifts from tracks, freight service was resumed, and 100,000 commuters went gratefully back to their trains and ferries.

The end of the New York tieup was hailed as a good thing by both railroads and unions, but joy was not unrestrained. The New York Herald Tribune's national economics editor, Joseph R. Slevin, said "President Kennedy has demonstrated that he is prepared to jump in where former President Eisenhower was determined not to tread," and added: "It's a worrisome precedent."

Secretary Goldberg didn't agree He noted that he went to New York on the invitation of that state's governor and after conferring in Washington with New York Mayor Robert Wagner. He vigorously rejected a suggestion that he had "supplanted" the National Mediation Board in conciliation talks. Secretary Goldberg said that although comparatively few strikers were involved, the tieup had great ramifications that made it a matter of national interest.

"It doesn't mean," he added, "that every little dispute will require this kind of participation."

Doyle Report Viewed As 'Clear Blueprint'

The Doyle Report is "a clear blueprint for action" if the new Congress and the new administration "want to untangle the transportation problem," says Illinois Central President Wayne A. Johnston.

He told the Chicago Railroad Securities Club that this study and those preceding it have "helped to educate the public to the great need for change in the government attitude toward transportation."

He declared that railroads are "closer today to getting [necessary] changes in government regulation than at any time in history. For [railroads] there is only one way to go and that is up."

Mr. Johnston urged the federal government to treat all modes of transport equally and warned that "unless the shocking inequalities in taxation, regulation and subsidized competition can be eliminated, the railroads cannot solve their problems."

Watching Washington *with Walter Taft*

• **LABOR-MANAGEMENT** negotiations have begun in an undertaking to agree on track-car operating practices. Such an agreement could halt the Railway Labor Executives' Association's drive for legislation to give the ICC power to prescribe rules for operation of the track cars.

PROSPECTS for success of the undertaking can't be appraised at this time. Negotiations thus far have consisted only of preliminary talks between members of RLEA and officers of the AAR.

SEVERAL YEARS AGO, in 1955, the AAR issued new minimum standards for supplemental rules governing operation of track motor cars under the so-called line-up system. That's a system whereby operators of track cars work their way over the road on the basis of information they have about scheduled and extra trains moving over the same lines.

THE NEW STANDARDS were set out in 10 rules which the AAR made recommended practice. Among other things, they called for periodic examinations for track-car operators, and tighter regulations governing issuance by dispatchers and receipt by track-car crews of the train line-ups.

THIS AAR ACTION came in the aftermath of a letter written to the association in 1954 by Owen Clarke, who was then a member of the ICC. Mr. Clarke also spoke about the matter in a 1954 address, saying action was needed to insure safer operation of track cars and that the Commission had turned to the AAR because the problem is primarily one of railroad operation.

PRESUMABLY, the new rules did not improve safety of track-car operations sufficiently to satisfy the unions—or the Commission. In 1957, RLEA began its drive for legislation, and the Commission has supported the proposal as a "safety" measure. The railroads assailed it as a "make-work" bill. Last year, the bill cleared the Senate's Interstate Commerce Committee and was on the Senate calendar when Congress adjourned.

A LABOR-MANAGEMENT PACT, like that sought here, was entered last year. It had the effect of moderating the Accident Reports Act which was then passed. A more drastic bill, originally sponsored by RLEA, would have ended ICC discretion to determine which accidents are reportable. The compromise left the Commission with such discretion and embodied an understanding that the reporting rules would be revised by the Commission, as they have (RA, Jan. 2, p. 8).

• **THE ICC's** streamlining program has been further advanced. The Commission has taken two more steps to delegate duties to staff members and thus give commissioners more time to consider major transportation questions. The revamp orders become effective Feb. 1, as do like previous orders whereby the Commission limited rights of appeal and created three new employee boards to dispose of uncontested cases processed by the Bureau of Finance (RA, Jan. 16, p. 10).

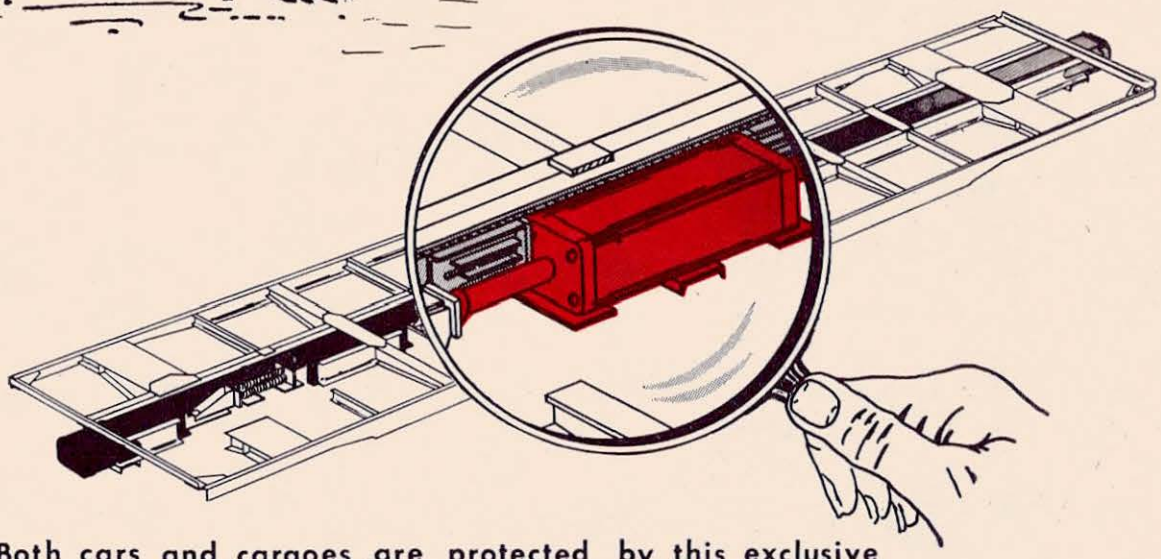
THE TWO NEW orders will authorize the director of the Bureau of Inquiry and Compliance to institute civil injunctive proceedings involving motor carriers and recommend to the Department of Justice some criminal prosecutions and civil forfeiture proceedings. They will also create two boards of employees to consider some proceedings related to railroad safety and service and transportation of explosives and other dangerous articles.

THE DELEGATION to the director of the Bureau of Inquiry is expected to eliminate an estimated 500 enforcement matters annually from consideration by the Commission or its divisions. The safety and service boards are expected to take over some 300 non-adversary matters now handled annually by Division 3.

cushioned landings - -

KEYSTONE

SHOCK CONTROL



Both cars and cargoes are protected by this exclusive Keystone arrangement.

The Keystone SHOCK CONTROL system, featuring a double acting hydraulic cylinder, requires no flexible external chamber for oil displaced by piston rod.

The floating center sill and two sets of return springs, absorbs direct impact energy during coupling and run in.

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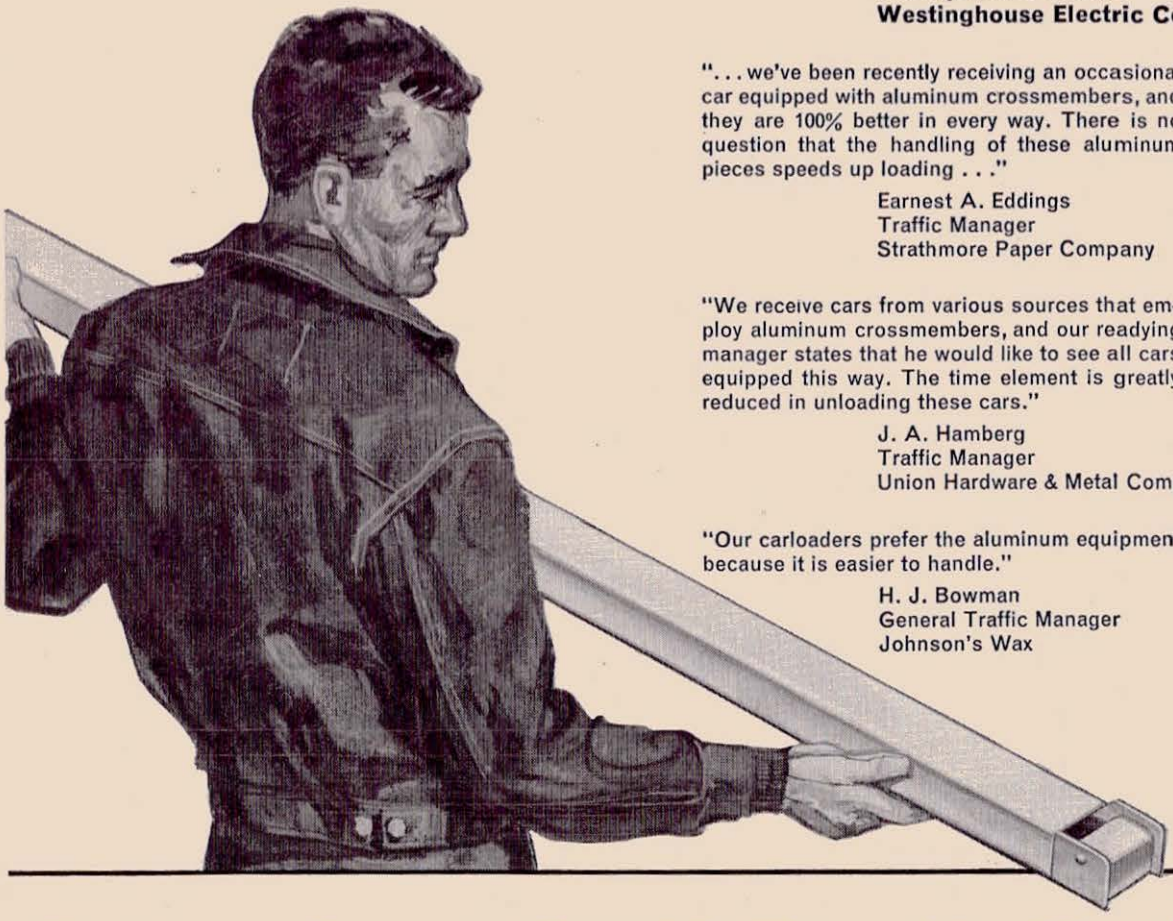
Headquarters Traffic
Westinghouse Electric Corporation



"...we've been recently receiving an occasional car equipped with aluminum crossmembers, and they are 100% better in every way. There is no question that the handling of these aluminum pieces speeds up loading . . ."

Earnest A. Eddings
Traffic Manager
Strathmore Paper Company

"We receive cars from various sources that employ aluminum crossmembers, and our readying manager states that he would like to see all cars equipped this way. The time element is greatly reduced in unloading these cars."

J. A. Hamberg
Traffic Manager
Union Hardware & Metal Company

"Our carloaders prefer the aluminum equipment because it is easier to handle."

H. J. Bowman
General Traffic Manager
Johnson's Wax

Crossmembers made with Reynolds Aluminum cut loading costs, reduce freight damage

The above statements are from just a few of the many letters we've received from leading traffic managers. These men work in many different industries, but all agree on one basic fact: aluminum crossmembers save time and money—they're preferred by management and freight handlers alike.

With aluminum crossmembers, there are no rust stains on freight, no splinters in hands. They protect both load and loader. Lightweight aluminum crossmembers can be easily, safely, handled by *one man*—yet they are as strong as any crossmember now in use!

Specify cars equipped with aluminum crossmembers. Or, ask your special freight equipment supplier about crossmembers made with Reynolds Aluminum. For complete details on aluminum for any railroad or freight use, contact your local Reynolds office, or write *Reynolds Metals Company, Box 2346-TM, Richmond 18, Virginia.*

Watch Reynolds new TV show "Harrigan & Son", Fridays; also "All Star Golf", Saturdays—ABC-TV

Three Rate Ideas Shippers Like

Proposition

In the past few years, a great deal has been done—and much more said—about revising the railroad rate structure to make it conform more closely to present-day competitive conditions. As Railway Age pointed out in its issue of Dec. 19/26, 1960, page 54, the work of revision is proceeding with "painful slowness." Much—perhaps most—of the slowness can be attributed to the fact that railroads, their customers and regulators have not reached full agreement on the pattern or principles to be followed in doing the revising. As a start toward developing a generally acceptable pattern, Railway Age, in the same editorial, suggested three ideas:

- **That class rates be recognized as commercially useless, and substitutes be found for them which would give effect to rail costs as a "floor" and private truck costs as a "ceiling."**
- **That, for short hauls where rail and truck costs are close, rail rates must be held to a small margin above direct costs.**
- **That, for longer hauls where truck costs exceed rail costs, it is economically justifiable for rail rates to include a larger margin of profit than that expected from shorter hauls.**

Questions

1) Do you agree, in general, with the three principles stated in the proposition?

Yes	**29**
No	**7**
Undecided	**6**

2) If not, in what respect do you disagree? See accompanying text for responses to this question.

3) What additional or alternative principles would you suggest to speed modernization of the rail rate structure? See accompanying text for answer to this question, too.

Substantial agreement is expressed by shippers to the proposition that the railroad rate structure must be up-dated. But respondents to this month's Traffic Poll expressed a wide range of opinions as to the "whys" and "wherefores." Neither did they all agree as to the need for revision.

Twenty-nine respondents checked off an affirmative answer to Question 1, but seven disagreed with them and six sat on the fence.

Suggestions for improvements were varied. L. F. Van Kleeck, traffic manager, Brown Co., Berlin, N. H., suggested "speedier action" and "less statutory notice" on rate proposals. He thinks rail carriers "should have more freedom to make rates to fit the needs of their customers regardless of competition."

L. H. Martin, general traffic manager, Gould National Batteries, Inc., St. Paul, Minn., is another who sees a need for speedier processing of new rates. "Motor carriers," he says, "will act on a proposal, approve and publish a rate in less than 60 days. It takes railroads six to eight months to do the same thing. I believe railroad procedures and practices ought to be streamlined, so a rate will be published quickly enough to move the tonnage available, not . . . after motor carriers have handled the bulk."

J. Douglas Dawson, general traffic manager, Norton Co., Worcester, Mass., says "the time must come, if rail and motor carriers intend to exist and beat private carriage, for a cost-plus theory on all freight rates."

A plea for directional rates came from D. B. Goodwin, corporate traffic manager, Burroughs Corp., Detroit. Mr. Goodwin writes: "Railroads should be able to publish directional rates even below direct costs where there is an unbalance in tonnage, i.e., transcontinental tonnage is much heavier going west than it is east. Therefore, railroads should be able to publish eastbound rates low enough to attract more tonnage for empty equipment being returned."

Henry A. Archambo, director of traffic, Minneapolis Traffic Association, suggests "close study by rail carriers of the industry requirements in the area where tonnage is heavy and moves regularly. It is this traffic that is most frequently transported in private equipment."

Mr. Archambo goes on to discuss the influence of TOFC. "Trailer-on-flat-car rates and charges," he says, "are responsible for the return of considerable traffic to rail carriers. Industry today is locating in areas beyond the large cities. Most of these locations are away from trackage, thus [are] served by highways only. These are the industries engaged in private transportation of their goods. This traffic can and will be returned to rail lines only when proper TOFC rates or charges under Plans III and IV are published which will reduce the industries' freight costs."

H. N. Johnson, general traffic manager, Ralston Purina Co., St. Louis, thinks that "the use of class rates at the lower levels, based on competitive conditions, are important in preserving proper relationships between commodities."

Mr. Johnson also feels that "railroads can effectively make use of transit arrangements, whereby the customer pays them on a through basis, based on mileage to and from the transit station. Under the old concept of transit, a shipper had to continue in a straight line. Business is not done that way. We must rather serve a radius around the mill. The above type of transit would permit us to do this, and would tend to keep our tonnage on the rails."

Incentive rates, substituted motor service to destinations beyond the rail transit point, and storage-in-transit of piggyback movements are the suggestions of R. C. Waehner, general manager, distribution division, Lever Brothers Co.

"In the past two decades," Mr. Waehner says, "railway equipment has been improved to achieve greater loading capacity. During this period, our customers have been making more effective use of capital by ordering smaller quantities more frequently. The net result: Current rail rates and minimum weight structures do not permit us to make full use of railroad facilities. An additional $10,000,000 of business in our company alone would be available to railroads by a wider use of incentive rates, combined with realistic storage-in-transit permitting us to load heavy rail cars to distribution centers and making multiple shipments beyond the transit distribution point to our eventual customers at the balance of the through rate; i.e., 60,000 lb inbound —three shipments of 20,000 lb outbound, if surrendered on the same day to the carrier ex the transit distribution point."

Mr. Waehner says substituted motor service to destinations beyond the point of rail transit and storage-in-transit on piggyback movements "would permit full utilization of efficient rail volume-hauling capacity to a transit point, as well as the necessary smaller movement beyond the transit distribution

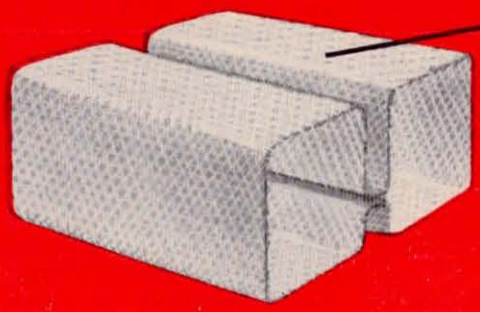
(*Continued on page 37*)

Out of 44 years of field

a new

From Spring Pack Corp. comes a new improved lubrication pad . . . the LANDRETH-PAK. A new lower cost lubrication pad that insures a continuous supply of oil to the

- Outer cover of highly absorbent lock stitched tufting. Service proven loops afford maximum lubrication — will not glaze.



- New 8" wide wick sewn at 3 places to outer cover affording a continuous supply of oil to the entire length of the lubricator and journal regardless of temperature changes. Also gives extended life to the lubricator due to its cushioning effect.

  Laboratory and road tests have proved that the 8" peripheral wicking action guarantees 100% oil feed.

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experience comes . . .

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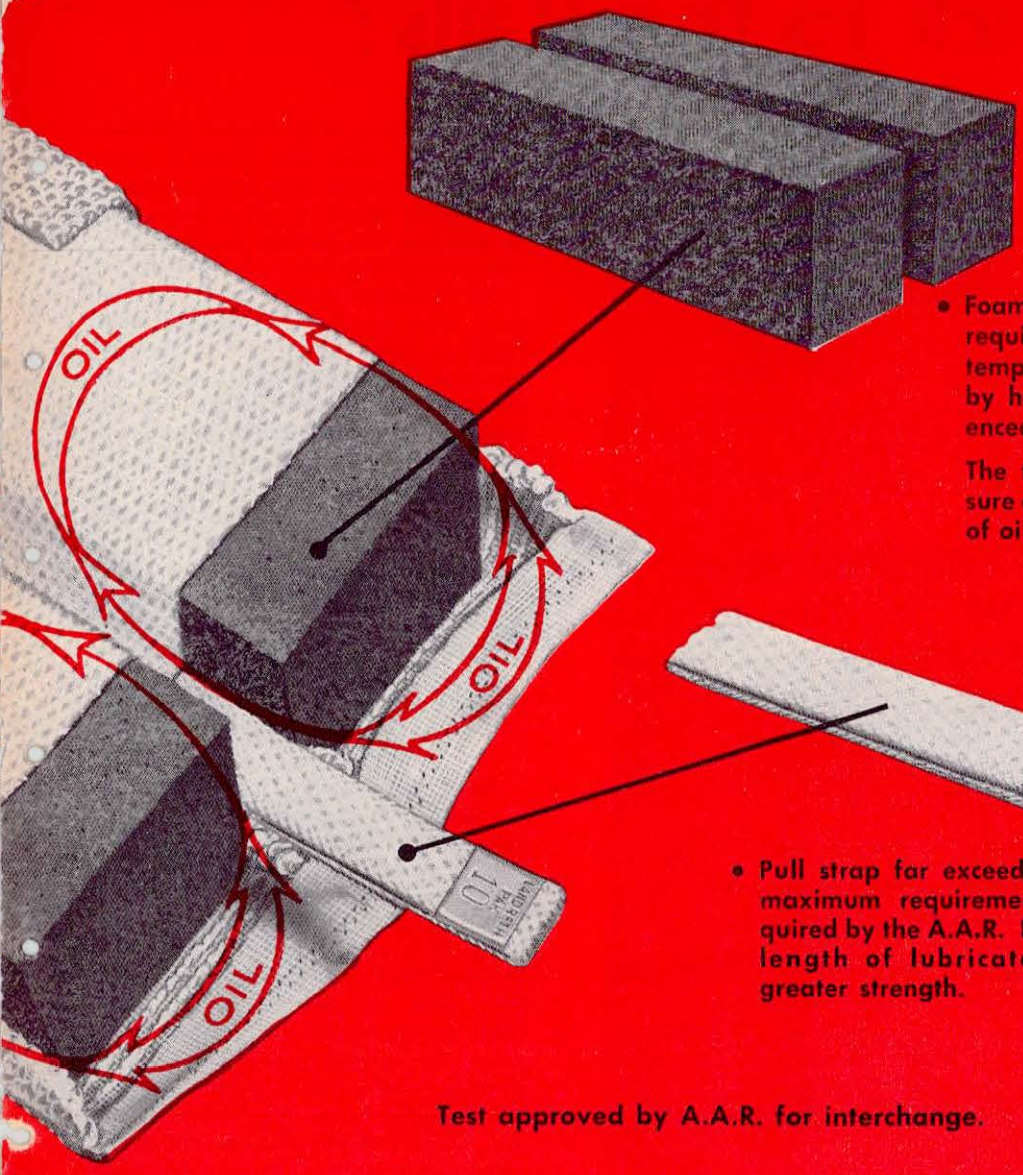

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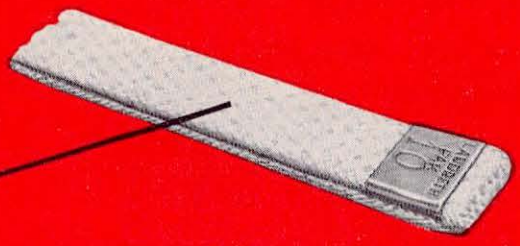

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Test approved by A.A.R. for interchange.

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Grain: Back to the Rails?

Participants *(left to right in photo above)*

F. F. Flinchbaugh, director of traffic, International Milling Co.

D. F. McDonald, assistant director of transportation, General Mills

R. P. Post, general traffic manager, Cargill, Inc.

H. K. Relf, director of transportation, Osborne McMillan Elevator Co.

Paul Stepner, general traffic manager, Pillsbury Mills

R. H. Smith, freight traffic manager—rates, Soo Line

R. L. Thorfinnson, vice president—traffic, Soo Line

Gardner C. Hudson, Railway Age

J. R. Sullivan, formerly vice president—marketing, Minneapolis & St. Louis (subsequently appointed assistant vice president—freight sales and service, New York Central)

Norton Quarve, traffic manager, Continental Grain Co.

W. C. Newman, general traffic manager, Archer-Daniels-Midland

J. R. Scoggin, director of traffic, Minneapolis Grain Exchange

V. P. Brown, general freight traffic manager—rates and divisions, Great Northern

W. J. Luchsinger, vice president-traffic, Northern Pacific

R. E. Hibbard, assistant general freight traffic manager—rates and divisions, Milwaukee

► **The Story at a Glance: Grain—because it's bulky, and moves in large volume and often over long distances—is ideally suited to rail carriage. But in practice, it's moving in increasing amounts by highway and by water.**

The situation alarms many railroad men, who see their traffic and their revenues shrinking as grain is diverted to other modes of transportation. It alarms also men in the grain business, who see such diversion disrupting orderly and long-established rail-based marketing processes.

What is being done to keep grain on the rails—what else can be done—and what more is likely to be done, were the subjects of discussion at a Railway Age round-table in Minneapolis. Here's the report of that session. In it are some new ideas that may well be in effect when northwestern grain begins to move in 1961.

Hudson (Railway Age): How has rail movement of grain and grain products been affected by competition from trucks, barge lines and the St. Lawrence Seaway?

Brown (Great Northern): We have three types of truck competition. One is return-haul transport by trucks that have gone out to the country with other products and bring back return loads. The second is buy-and-sell competition from motor carriers who buy, for example, corn; transport it from, say, Iowa to North Dakota, and return with feeding barley. The third is straight trucking of grain by carriers who pick it up in the country, take it principally to terminals, and return empty. The only revenue those trucks receive is

from transportation of grain.

In our experience, it is practically impossible to meet the first two types of competition through rate adjustments. For the return-haul truckers, any compensation is better than returning empty. We have situations where even responsible motor carriers quote 15 cents under the rail rate, no matter what that rate is. You can't meet buy-and-sell competition through rates, because the trucker has two profits involved.

The third type we think we can meet, in the area where it exists, i.e., about 300 miles east from our western terminals and the same distance west from our eastern terminals. We are making rates predicated primarily on what we think truck costs to be, since the trucker can make his rates without publishing them or filing tariffs, and can change them on a day-to-day basis. We think the only way to meet that type of competition is to establish rates that will make the operation uneconomical for the trucker, who must make his profit and replace his equipment out of what he gets on the one-way haul of grain.

Hudson (RA): Is any one of these three types of truck competition predominant?

Brown (GN): The first two are rather sporadic. They do not particularly affect the rate structure, and cannot be met by rate adjustments anyway. The large type that causes us concern and depletes our revenues, is the third, where the motor carrier goes into business just to haul grain.

Smith (Soo Line): There is also a fourth category of truck competition—the proprietary or private carriers who distribute their finished product by truck into grain producing areas. These finished products once moved by rail westbound. The private carrier has found that it is profitable for him to provide his own transportation by truck westbound, and bring grain back. This is tonnage we have lost both ways. It is becoming increasingly serious.

Hudson (RA): When you speak of private companies trucking westbound, you have in mind, perhaps, wholesale grocers, wholesale hardware dealers, chain stores, distributing from the Twin Cities west to the smaller towns?

Smith (Soo): Exactly.

Hudson (RA): And, of course, on the back haul, since grain is an exempt commodity, there is no regulation.

Smith (Soo): Correct.

Hibbard (Milwaukee): We have that situation, too. Trucks were hauling iron and steel out to Iowa in tremendous volume and bringing corn back. We have never quite been able to meet the truck rate on iron and steel, but we have made progress. We also reduced eastbound corn rates in 1958, with a further reduction on export traffic via lake ports. We think the adjustment on corn and soya beans will be productive to a degree. If we could get the iron and steel rates adjusted to a level where we could participate in that traffic, we could make a double-barreled deal out of it.

Brown (GN): I think that is the answer to all the first form of truck competition, that is, return hauling, whether it is a private hauler going west and returning with grain, or a common or contract hauler going west and returning with grain. The basis for the operation is the outbound movement of traffic. You have to make competitive moves in that area to keep the empty trucks out of the country, because once the empty truck gets into the country you can't do anything, ratewise, to stop its use for grain eastbound.

Thorfinnson (Soo Line): One factor contributing materially to the competition is that there are outlets available for trucked grain on the Mississippi river and the St. Lawrence Seaway, both in vessel movements to eastern mills on the lakes and also for direct export through the Seaway. Until those outlets became available, trucking of grain was necessarily limited, because transit by rail made it uneconomic, in many instances, for processors and handlers to utilize any inbound trucked grain against rail movement. Existence of those water outlets has definitely changed the whole picture.

Hudson (RA): In other words, those new outlets made truck competition more serious.

Thorfinnson (Soo): That's right. Also, at the same time that water outlets developed competition for trucking of grain into the market, they developed competition for those railroads that were carriers of grain and grain products beyond the primary markets of Minneapolis-St. Paul and Duluth-Superior. That problem faces our railroad, the GN, the NP, the Milwaukee and the M&StL, for example, as a serious threat to their over-all revenue.

Sullivan (Minneapolis & St. Louis): The impact has been very noticeable on the M&StL. Before the opening of the Seaway, a substantial part of the grain originating on our line and moving through Minneapolis, also moved beyond to our eastern and southern connections at Peoria. Because of the impact of the Seaway, the pattern has changed substantially. A great deal of traffic that formerly moved via Peoria is now moving via the head of the lakes. This has been a serious matter from our standpoint.

Hibbard (Milw): We are trying to correct this same situation.

Thorfinnson (Soo): The crux of the entire problem is really the exempt commodity provisions of our laws, which permit carriage of grain without any regulation of rates. We can meet the competition of the motor carrier who deals exclusively in grain, even though he doesn't have to publish rates, because we have been able to lower rates to a level that will meet his costs and enable us to handle the business. But so long as competitors have balanced movements, or so long as buy-and-sell operators can use grain as a back-haul at whatever rate is necessary to secure a balanced volume movement, we can't successfully meet all motor carrier competition. The only thing that will really give us a satisfactory solution—and in my opinion preserve stability in the marketing of grain—is to limit the present extensive application of the agricultural exemption.

Sullivan (M&StL): Orderly marketing of grain is affected when the merchant trucker or itinerant trucker goes directly to the farmer, buys grain, passes up the country elevator, and goes outside regular marketing channels. In the northern area, 15% of the country elevators report bypassing as significant. In other areas, it runs as high as 33%.

Scoggin (Minneapolis Grain Exchange): That situation is, of course, of concern to the grain industry. The Minneapolis Grain Exchange is organized on a railroad basis. Our prices are box car prices. Samples on the exchange floor are out of cars and not out of trucks. To the extent the exchange serves a useful purpose for

"The only thing that will really give us a satisfactory solution—and in my opinion preserve stability in the marketing of grain—is to limit the present extensive application of the agricultural exemption."

R. L. Thorfinnson

buyers and sellers of grain in this territory, we are pretty much limited to railroad grain. We are most definitely interested in maintaining movement of grain to and through our market on a box car basis. That has been our position consistently.

But we must consider the increase in rail rates on grain, which has been more or less constant for the past several years. This constant increase in the level of rail rates to Duluth-Superior and Minneapolis-St. Paul has made it possible for trucks to handle to those markets grains which formerly moved by rail. Certainly the water movement out of Duluth and Superior is not new. It was there for a long time before the Seaway.

Smith (Soo): Can any rail rate level be established that will compete with the truck back-hauling grain?

Scoggin (Grain Ex): As has been said already, the problem from a rail standpoint is that the trucks are there in the first place. The most effective rate level to take care of that situation would be a rate on westbound commodities that would prevent trucks from moving westbound to begin with, or would meet competition of that westbound movement.

Brown (GN): While it is true that use of the Great Lakes has been for a long time a major force in movement of grain in the northwestern area, it was confined primarily to wheat prior to the opening of the Seaway. We now find a very radical change, in that a great amount of grain moving out over the Seaway is coarse grain.

All our railroads get the bulk of their revenue from grain. Our problem in all these situations is one of wanting to be competitive with motor carriers, and give the same service the motor carrier does.

But motor carrier competition is concentrated in an area perhaps 300 miles from the markets on both ends of the railroad. It is also concentrated in particular degrees. It is somewhat geared also to non-transit dispositions.

We are trying to do whatever is necessary to keep the grain market stable on a railroad base, to keep grain moving on the railroads. Yet we have the enormous responsibility of keeping railroad revenues on a sound basis if we are going to continue to give service. To illustrate, North Dakota originates 100,000 cars of grain. If you reduce your rail rate just 10 cents per hundredweight across the whole state, that's around $110 per car and about $11 million a year out of our net railway operating income — not out of gross. If we lose grain to trucks, we don't have the operating expense, but this rate reduction of $110 a car is right out of income. It's an enormous figure. We have to gear our rate reduction to what will meet truck competition and still preserve the revenue that is necessary so we can continue to provide equipment and service.

Thorfinnson (Soo): We need revenue to maintain the vast network of branch lines we have throughout grain-producing territory to originate this very grain traffic on which we are so dependent. In most instances, grain is the only revenue we get from those branches.

Hudson (RA): Mr. Brown, for the record, would you clarify what you mean by non-transit dispositions?

Brown (GN): Grain coming in to the head of the lakes or the Twin Cities by rail has an identity for rail movement beyond on proportional rates. That is called a transit adjustment. If grain comes in by truck, it of course cannot move out by rail on transit or proportional rates locally. It must move out on flat rates by rail, or on non-transit dispositions via barge or Seaway.

At Duluth, most grain coming in moves out by water, either down lake to domestic destinations or for export, so they do not need transit rates for more than 15% of the outbound movement. Out of Minneapolis, the barge movements reach only a limited area in relation to centers of population north of the Ohio river, to which non-transit dispositions are applicable, and there is only about a 10% local or water disposition.

Our non-transit rates were designed to recapture from trucks inbound grain to which our regular transit rates wouldn't apply because it would have a non-transit disposition locally or by water.

In making rate adjustments, we have the responsibility of trying to protect revenue as far as we can, so we are trying to meet truck competition but not go beyond it, because money we lose in grain revenues can't be replaced anywhere else.

Scoggin (Grain Ex): I believe what Mr. Brown and Mr. Thorfinnson have been talking about is an adjustment the NP, GN and Soo put into effect April 8, 1960, on wheat, rye, and flaxseed, which, in general, reduced rates in an area up to 350 miles out of the Twin Cities and Duluth. The reductions were substantial, but you can use the lower rate into the market only if you don't go beyond the market by rail.

Brown (GN): We did it wholly to maintain stable markets, and to promote milling in transit, but not to give away any more money than we had to.

Scoggin (Grain Ex): This subject is now in litigation. We certainly are in sympathy with the railroads and the revenue problem they face. But there are some ways in which they intend to meet competition with which we do not agree. There is an area of controversy so far as that is concerned.

Thorfinnson (Soo): There's an area for possible discussion as to the theory of how we should do it.

Scoggin (Grain Ex): There have been various methods of meeting truck competition put into effect by railroads. The one I was speaking of [reduced non-transit rates within a 350-mile radius] isn't the only one. Railroads have made adjustments on coarse grains and other changes in the same area to try to meet this problem.

Hudson (RA): What are some of these adjustments, besides those reduced, limited-area non-transit rates and straight downward adjustments?

Scoggin (Grain Ex): Most general in this territory are adjustments on wheat, rye and flax from about the middle of North Dakota into the Twin Cities and the head of the lakes. There was a more widespread adjustment which went into effect in August 1958 on corn, oats, sorghum grains and soy beans. You can't call it a straight downward adjustment, because it did not take a certain percentage or a certain number of cents off the rates. It was selective in that it applied only in a certain territory, and the adjustments from one station to another were such that there was no precise relationship to the old rate. But it retained the ability to move traffic through to the destination by rail with transit privileges and things of that sort. Some revisions on that adjustment went into effect a year or so ago.

Thorfinnson (Soo): Also, there have been adjustments generally on export rates. The GN, NP and Milwaukee made similar adjustments on the west coast.

Brown (GN): One of the real problems of adjusting rail rates to meet truck competition is that rail rates historically have been built on scales with a retrograding rate of progression per mile as distance increases. We are completely in the dark as to what trucks will publish, so we must base our rates on what we think their costs are. Truck rates progress at an even rate per mile. The result is that your truck cost scale, progressing at an even rate, runs into your normal rate scale at points beyond a limited distance from the market. That's what Mr. Scoggin refers to when he says there wasn't a percentage reduction on the coarse grains. There was a new rate scale constructed which was presumed to meet truck costs.

Our non-transit rates and our west coast rates will grade into the regular railroad rate scale at points generally

(Continued on page 22)

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and replace it; for even less than you
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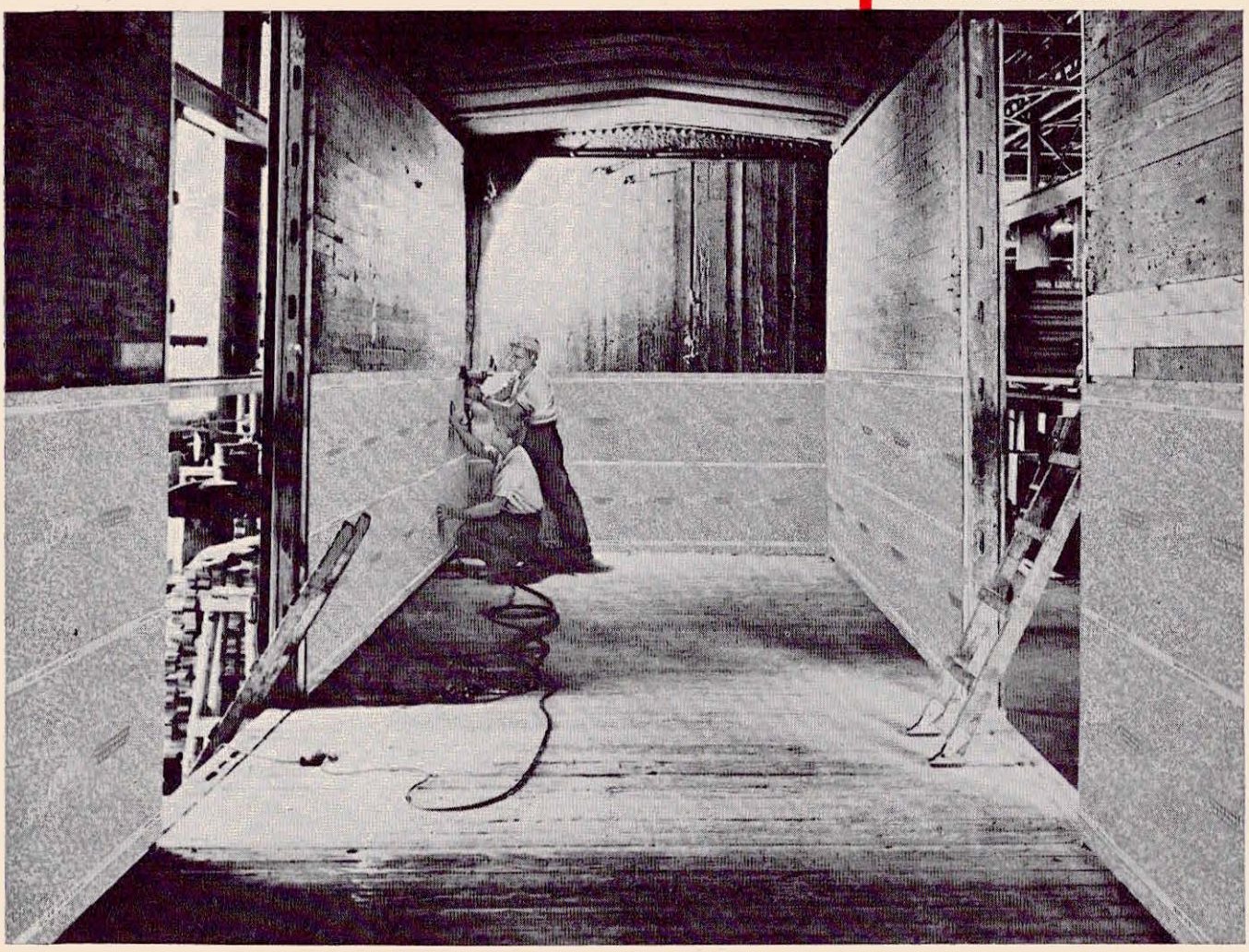

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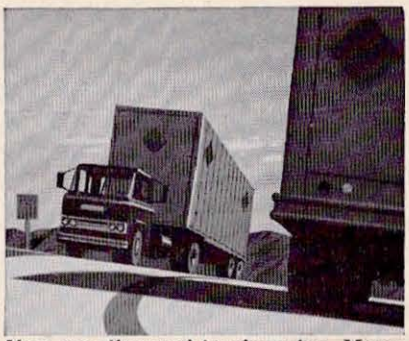

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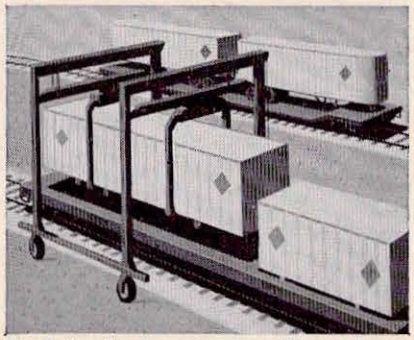

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GRAIN: BACK TO THE RAILS? (*Continued from page 18*)

300 or 400 miles from the market. If you carried that same scale out beyond 300 or 400 miles, it would make a truck cost basis that would be much higher than the rail rate because of the tapering rate of progression in the railroad scale. That means you will always have rate adjustments which will reduce your rate out to about 300 or 400 miles. Beyond that point your normal rail rates are relatively lower than truck costs and will be maintained.

A percentage reduction carried out throughout your whole area—at least 800 miles in the case of Minneapolis —would make rates far lower than the truck costs of round-trip movement, once you get beyond 300 or 400 miles. You will always have a distinction in that your truck-competitive rate adjustment will not cover completely the area from which grain rates are published.

Hibbard (Milw): On a rollback you sometimes go below the level of the truck rate that it is necessary to meet.

Thorfinnson (Soo): We have discussed with industry and with the Grain Exchange something along the line of a guaranteed rate in connection with non-transit rates. The idea would be to make transit applications available on those rates related to the percentage of grain received by rail from the producing territories involved. That is in its initial stages, but it's something we are trying to work on with the industry in the hope that we can come up with an adjustment which will permit us to make transit available at rates comparable to our present non-transit rates, and still provide necessary transportation services.

Hibbard (Milw): That wouldn't meet direct trucking from farms, though.

Thorfinnson (Soo): No. I don't know of anything that will meet that until we can do something about changing our existing laws, and enforcing regulations.

Hibbard (Milw): Direct trucking is important. There is a tremendous amount of it but we haven't been able to find out just what that amount is.

Would the guarantee be reached with the buyer or the processor? I am thinking of a proposal some time ago to make an allowance to the elevator operator.

Thorfinnson (Soo): We are thinking of a guarantee applied to the receiver in the market which would permit him to have a transit application on grain received on non-transit rates on the basis of a charge related to the percentage of receipts by rail from his producing area.

Hibbard (Milw): That would be a sounder approach than the one we had some time ago.

Smith (Soo): A good many of the industrial traffic men here represent grain processors. Shouldn't we talk a little about the effects of trucking competition on transportation of grain products?

Post (Cargill): Our company, and perhaps others, are buyers of transportation. We use all modes of transport, and use whichever is cheapest for us. The relationship between inbound truck grain and grain handled by vessels did not begin with the advent of the Seaway. As rail rate increases were superimposed on prior rail rate increases, shippers turned to truck and barge transport. That is the point of this diversion from rail to truck.

Quarve (Continental Grain): Every bushel of grain produced anywhere is marketable both in a domestic and a world market. Your primary concern is not how it moves but to get it somewhere and to make some money on it. The grain industry, by and large, has advocated a rollback, which is an unpopular word, for a number of years. There was quite a bit of sentiment in the grain trade for a rollback with adjustment to meet itinerant trucking. I think in the long run this would have had better economic features than this piecemeal selective rate adjustment we see today.

I know you have to be responsible for revenue on a railroad, and I'm thankful I'm not one who has to be responsible for it. But we already see three or four different forms of trucking and the future may bring some new ones. It seems a little bit unfair that the fellow in Montana should have the misfortune of growing his wheat where the rate remains at a high level, while the man only 100 miles from the market has the chance to get some different form of transportation. Thus, you find this constant effort by everyone in the grain trade to get a little cheaper transportation.

I think the railroads have to find a way somehow, if they want to preserve the entire situation, to get grain to move at a more uniform cost level basis. The Commission did that in the 17000 case. I think we have to get back to some semblance of that. The very economic forces that produced that adjustment are working again today. I don't know whether or not we're going to come out with something as good as that, but it deserves very strong study rather than just going after a truck in such and such a locality, only to have the fellow balloon out somewhere else. Trucking is a very disruptive thing in the grain trade. You just don't know where you're at at any time.

Flinchbaugh (International Milling): Can't we bring this problem into better focus by seeing to it that a better job is done about enforcing present regulations to minimize illegal transportation.

Quarve (Continental): Well, you're not going to drive everybody out of grain transportation everywhere. But I do think with realistic rates you're going to be the dominating force.

We haven't seen the end of this yet. There are more tricks that are going to come out. Wherever a rail rate is very productive, somebody's going to find a way to hack at it. I really believe something in the way of a rollback, unpopular as that word may be among railroad people, is going to be necessary if railroads are going to remain the dominant factor in the grain trade. A more basic cost factor has to be used everywhere, and not just in selective places. Every merchandiser with whom I've talked in the past several years seems to come up with that same basic idea—that the rollback is the thing, because it will generally hold the greater share of the traffic to the rails.

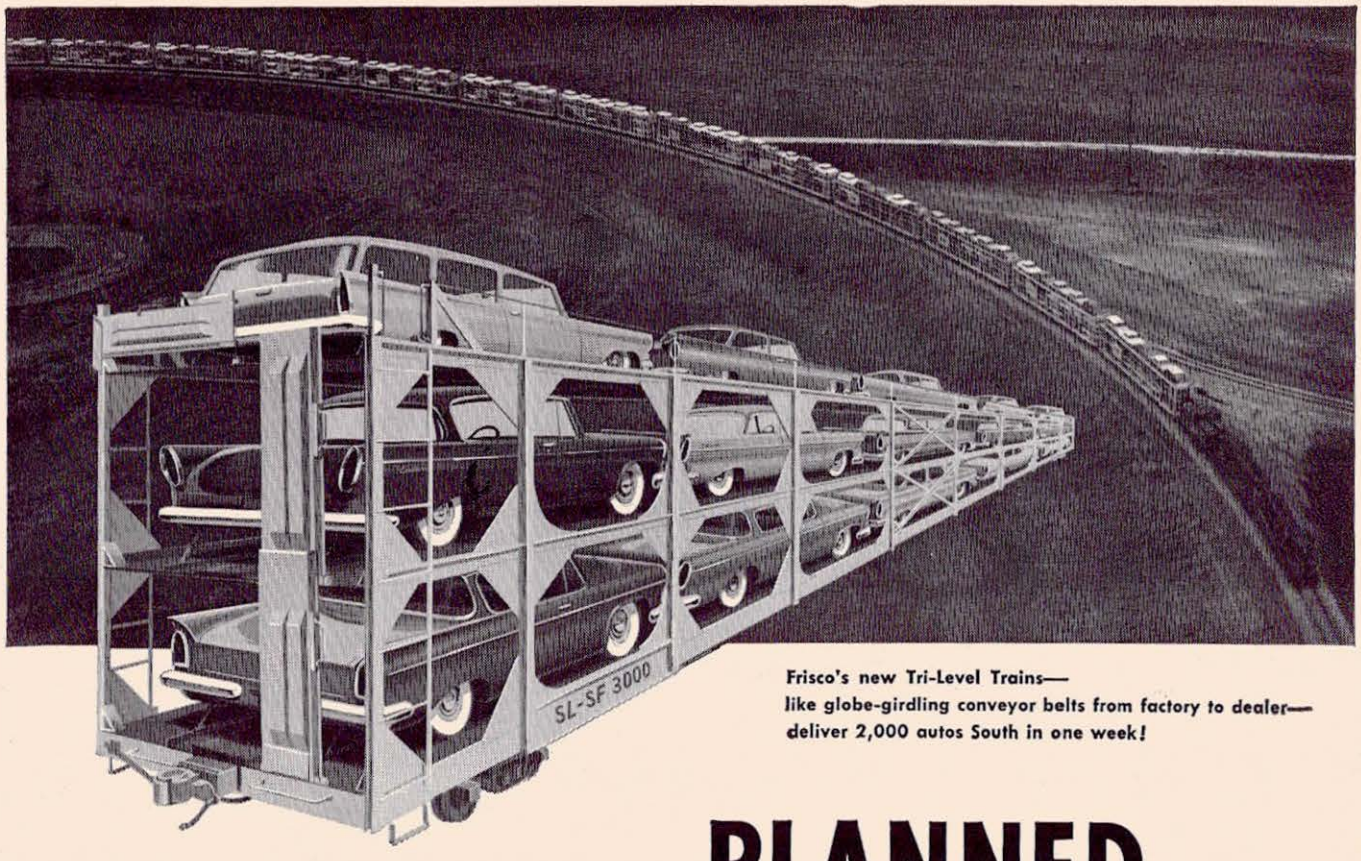
Hudson (RA): I take it, then, that the primary factor in moving grain, and in selecting the transport agencies that will move it, is price. Are there any factors relating to service or equipment that either help or hurt the railroads? Or aren't those important factors?

Post (Cargill): Equipment is extremely important, but within a close radius of any market it's very difficult for a railroad to regain traffic because of service. The truck from that area can make two or three trips a day, bringing grain in, unloading it, and making return movements to the country. Shippers and purchasers like that type of transportation.

As for equipment, at the very moment, and even with the railroads looking for more traffic, we are running into equipment shortages. It's spotty now, but in many areas where the railroads could move traffic, equipment isn't there to handle it.

Hibbard (Milw): One of the reasons for that is that much of this grain and its products move east, and western railroads lose their cars in eastern territory. I understand some of the big eastern lines have no particular carbuilding program, so we find the western lines' very desirable grain cars

(*Continued on page 24*)



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being retained down there without return. We can get any number of foreign cars but they wouldn't be suitable for grain loading.

Post (Cargill): Speaking of the railroad industry as a whole means nothing to the shipper. He is looking for box cars. At a certain time there just aren't enough to go around. That's the important thing.

Brown (GN): Railroads will never be able to keep an absolute supply of cars available at all points for peak demand, so we'll always run into situations, depending on crops and territories, where we might get a car shortage. But the problem is what Mr. Hibbard pointed out. Granger lines are maintaining their car supply on an adequate basis, if they can get them back from the East after they go down there with grain or grain products. But with some eastern lines not keeping their supply on an adequate basis, our cars stay down there and we don't get normal turnaround on them.

Luchsinger (Northern Pacific): If the country elevator operator doesn't get cars on the day he wants to ship, and the price goes up, so he gets more when he does ship, there are no complaints. If it works out the other way, that's a bad situation. Also, some country elevators feel that inability to get cars prevents them from moving through their elevator the volume they need. If they can't get grain out, they can't take it in, and that prevents them from handling the necessary turnover.

Brown (GN): We'll always have periodic or spot shortages. We had one out west induced by shippers themselves. We had a rate reduction that was to become effective Sept. 30, so everybody held up shipments waiting for it and then ordered 25 or 30 cars at a time. You couldn't avoid that with any type of supply. But I know our operating and transportation departments are constantly trying to get cars returned.

Scoggin (Grain Ex): I've heard many complaints. Is there any solution to this problem of trying to get car supply up on eastern lines? Can anything be done to straighten it out?

Sullivan (M&StL): There's a fundamental economic question here that faces the whole industry, and broadens our horizons immeasurably beyond grain. It is basically a matter of national transportation policy.

Relating to this equipment question, there is a very serious need for relief to the railroads in such an elementary matter as depreciation rates. When you think of trucks or towboats, you think of writing them off over a comparatively short period, the depreciation being chargeable, of course, as an expense. On railroads, depreciation rates set up by the ICC are grossly out of date, and completely unrealistic. We have to write off a box car over 30 or 35 years. We bought it 30 years ago at $2,500. When we replace it at today's market it costs about $8,000. This is damned discouraging to the railroads in attempting to build up big fleets of cars.

This needs legislative remedy and the industry is working hard on it. It feels as though we're beating our heads against a stone wall, but we're trying.

Thorfinnson (Soo): That illustrates how much we're on the horns of a dilemma. You've all made the point that there's need for reduction in grain rates generally. Our railroads here are all heavily dependent on grain as a source of revenue. Our rate of return is already marginal. As we roll back grain rates, as was suggested, the probable result would be a deficit operation. Yet to improve our position in the handling of grain it is obvious we have to do everything possible to expand our equipment and our service. You can't do those things when you're operating at a deficit. That's part of the nation's railroad problem as well.

Hibbard (Milw): To demonstrate that point, we found in Montana that if we rolled back our rates on wheat we would have a rate 4 cents lower than the truck rate. We would be going below our competition. That is part of the objection of a rollback as such.

Scoggin (Grain Ex): But isn't the main problem of equipment supply in the East? Would your suggestion about more adequate depreciation rates help eastern railroads maintain a better car supply?

Sullivan (M&StL): Very definitely. We in the West may be in a little better shape because our cars are better. That's why they are so desirable in the East. But this remedy would be enormously helpful to the industry as a whole. We'd see the effects in the grain business promptly.

Quarve (Continental): Is there any soft spot in Washington? Does Congress indicate a plan to change these rates?

Sullivan (M&StL): We haven't detected any. Efforts to reduce transportation taxes show that government is not going to let loose a dime if they can help it. This is a very short-sighted policy, because we could produce far more in total tax revenues if we could get some remedies in the specific things that are driving us into the ground.

Brown (GN): Returning to rollbacks, it was said earlier that it was unfair to give a rate reduction from the eastern Dakotas, and not from Montana, where trucking competition does not exist. But we are not the creators of these problems. Trucking was not of our making. The Montana shipper is actually moving his grain on a rate which is lower, relatively, in relation to truck costs, than the rate from the eastern Dakotas. A percentage reduction for the whole line would result in revenue losses that would literally be enormous. As I mentioned earlier, an over-all reduction of $10 per car from Dakota is over $10 million, which would be right out of net railway operating income.

Quarve (Continental): I don't disagree, but I'd like to comment that a rollback in any one sector is no better than any other selective rate cutting. For a rollback to be effective, it would have to be nationwide and absolutely uniform.

Stepner (Pillsbury Mills): We talk about the immediate effect of rollbacks and cutbacks, but in some instances, unless those rollbacks are made, traffic is just going to go down the drain. This is what we found after the increases that were made all along the line in past years.

Scoggin (Grain Ex): Selective adjustments do create problems for industry that are at times very painful.

"Relating to this equipment question, there is a very serious need for relief to the railroads in such an elementary matter as depreciation rates . . . This needs legislative remedy."

J. R. Sullivan

Smith (Soo): But disrupting changes of piecemeal adjustments are not of railroad creation. Every one is made to meet a specific situation that was not of our doing.

We have three modes of grain transportation today. Two are unregulated and one is regulated. The non-regulated industries are setting the pace in grain transportation. The railroads can do nothing more than try to meet that same pace. I don't hold out much hope to this rollback club. We simply can't afford it.

Relf (Osborne McMillan Elevator): Nobody has indicated how far rollbacks should go. In lieu of that, may I make a suggestion which I haven't made to anybody before as a very flat concrete idea: Leave your adjustments, your intermarket relationships, and everything else just the way they are today, but, forget this 300-350 miles where you railroad people feel most of your competition is. Take rates as they exist today, the normal 17000 case grain rates with various increases up to and including Ex Parte 223—I'm speaking of gathering rates—and reduce them a flat 10¢ per 100 lb, or 6¢ a bushel, on wheat. I don't think that would break the camel's back, but I do think it would enable you to reach out for more business than you thought you were going to get, and didn't get, by putting in these so-called non-transit rates. By limiting them to eastern North Dakota and the Red River valley, where you insisted most of your truck competition was, all you did was force the trucks farther west. Normally, we don't truck from points in Montana on the Soo Line but at Whitetail, the last point on the Soo, we had a trucker come to us and offer to haul as many loads as we wanted 700 miles to the head of the lakes at 20¢ per 100 lb under rail.

Hibbard (Milw): Everyone of our railroads knows the nature of trucking station by station, elevator by elevator, commodity by commodity. We know the amount being hauled by peddlers, by common and contract carriers, by straight grain trucks. We know who they are. That was a return haul trucker who followed the same pattern other truck lines follow in offering you less than the rail rate. He will haul for you to the extent he has trucks out there, but not when he doesn't have a westbound load to that area. If any of you in the grain trade get into a car shortage and can find any truckers who will send trucks out empty to relieve the shortage, I'd like to know about it. They won't. We know, and it's in letters of quotation we have seen, that: "To the extent we have trucks available, we will haul for you under the rail rate."

"If any of you in the grain trade get into a car shortage and can find truckers who will send empty trucks to relieve the shortage, I'd like to know about it"—R. E. Hibbard.

"A rollback in any one sector is no better than any other selective rate cutting. For the rollback to be effective it would have to be nationwide and uniform"—Norton Quarve.

Thorfinnson (Soo): Mr. Relf, with respect to your remark about 10¢ per 100 or 6¢ a bushel on wheat: If this were to be put into effect, would your company discontinue 100% the trucking of grain?

Relf (Osborne): I don't know that we would discontinue it 100%, but I feel, and my management feels, you would effectively limit truck competition.

Thorfinnson (Soo): All these truckers who are hauling grain in are also able to haul something under load westbound, whether it's company trucks or common carrier trucks or private industry doing its own trucking.

Relf (Osborne): That's probably true. Whether or not it's a valid movement so far as the trucker is concerned, I personally don't know. If you would reduce your over-all rates into Minneapolis and Duluth by a flat 10¢ a hundred, you would practically wipe out truck competition.

Hibbard (Milw): You're talking about rates beyond a certain area, aren't you?

Relf (Osborne): The whole line, from Minneapolis to Whitetail.

Hibbard (Milw): If we reduce our rate from a point 50 miles from Minneapolis by 10¢ we won't make any money at all on that move.

Relf (Osborne): Well, I'm not thinking so much of such very short movements. I'm thinking of North and South Dakota, where some railroads haven't done a thing about rates.

Whether you agree to this or not, this is my proposal. I haven't objected specifically to any of these adjustments, but if you want to know how you can get the business back, I'm giving you a concrete proposal.

Thorfinnson (Soo): If it were coupled with a guarantee of 100% rail movement, you might be able to sell it.

Relf (Osborne): I don't want to tie myself in with a guarantee, but I venture to say your percentage of business would increase materially.

Hibbard (Milw): You mentioned a town in Montana where a man offered to haul for 20¢ under the rail rate.

Relf (Osborne): That was an unusual situation.

Brown (GN): If we cut 10¢, would your company turn down all those people who offer you 20, 25 or 30¢ under the rail rate?

Relf (Osborne): I don't say we'd do that, but I do think you would effectively squash a lot of competition.

Brown (GN): Once you get the truck in the country the economics are against it.

Smith (Soo): That's why we would need the guarantee. Using Mr. Brown's figure of 100,000 cars, you're talking $10 million in revenue. For the three lines to reduce their revenue by $10 million, we have to have some assurance there's going to be additional volume.

Relf (Osborne): I say you'd get it.

Smith (Soo): In that case you should be willing to go along with the guarantee.

Relf (Osborne): I am very sincere in

saying we are rail-minded. There are many advantages to shipping by rail and we would prefer to ship rail in all cases.

But we are buying transportation. There are various and sundry economic features involved. We have to do what our competition does. If our competition—cooperative associations and a few other large grain competitors—bid 1 or 2 or 3 cents under us, we've got to meet it. If they make their bid using truck, we've got to use truck because we couldn't meet that bid and come out on the same basis if we ship rail. We save a lot of money by shipping by truck. Our accounting costs are more, our weighing and inspection fees are more, yet in the final analysis, we save money.

I say again we would much prefer to ship by rail, all facts considered, but when it comes strictly to price we've got to look at price, and management looks at price.

Thorfinnson (Soo): Could we get a little reaction from some of the processors about these rate adjustments, and what they think of new types of rates?

Scoggin (Grain Ex): We talk about a 10¢ reduction, and you talk about tying it to an agreed basis. I personally think agreed rates are one of the answers to the railroad problem, but in this particular case, many railroads assume that grain traffic from the country into the market is under control of the elevator operator and the elevator shipper. I would like somebody to tell me why a processor should agree to ship so much traffic by rail if he can get a discount on truck grain?

Post (Cargill): If you reduce your rail rate it will not necessarily change the market price so far as the processor is concerned.

Thorfinnson (Soo): Suppose the guartee was so set up as to inure to the benefit of the receiver in the market, or the processor, by making available to him rates for transit at a level which would not otherwise be available for transit.

Post (Cargill): Then I think you'd find the processors very sympathetic to some kind of guarantee.

Hudson (RA): Wouldn't the guarantee imply some reduction in the rate?

Thorfinnson (Soo). Yes. The two go together.

Stepner (Pillsbury). Yes, but a reduction from Montana or the Dakotas doesn't change the price we pay. The benefit goes back to the producer.

Thorfinnson (Soo): In other words, you're saying that any reduction has to benefit the processor as well as the producer?

Stepner (Pillsbury): Definitely. We're not going to be happy just to turn around and say we'll use rail and forget about using trucks, because the flour miller has such a very low margin of profit that he must purchase the lowest cost transportation—even though we are sympathetic to the rails, and tied in closely with them.

Scoggin (Grain Ex): The objection to the non-transit feature is that it says, in effect, you can get grain on a lower rate inbound only if you don't go out by rail. In Minneapolis we are pretty well tied to the rails to distribute grain and products outbound. The adjustment brought about a great deal of difficulty, and injury to our rail-based market, because we just couldn't buy grain and send it out by rail any more.

Thorfinnson (Soo): I gather, then, you're sympathetic to an adjustment that would get both inbound and outbound rail movement?

Scoggin (Grain Ex): As I said earlier, this is a rail-based market. The Minneapolis Grain Exchange serves the people based here best when traffic moves in and out by rail.

Hudson (RA): Apparently you shippers feel there are some advantages to rail movement of grain as compared to truck movement. Are those advantages worth some premium—perhaps not 10¢, but something? I'm not asking for a particular figure. This is just a general question.

Stepner (Pillsbury): Besides being a processor we market grain. We couldn't afford to pay a premium of a half-cent more than our competition is willing to pay even if we just loved to use railroads and keep trucks out.

Flour is much the same way. On bakery flour, for example, profit margins are very, very narrow. Two or three cents a hundedweight makes the difference between a sale and no sale. What we'd like to do and what economics dictate we do do are two different things.

Hudson (RA): Then it comes back pretty much to what I interpreted Mr. Post as saying earlier—that price is the controlling factor.

Relf (Osborne): Price and what your competition is offering. Competition in the grain business is about as tough as any business I know of.

Hudson (RA): As tough as in the transportation business?

Relf (Osborne): Paul Stepner mentioned a half-cent a bushel. It goes even as low as a quarter-cent a bushel. We are buying transportation, and while I'll say again we are 100% rail-minded, of necessity we use trucks.

Newman (Archer-Daniels-Midland): ADM is a processor of grain, and also a merchandiser of grain. Speaking principally of our Minneapolis operation, we have a flour mill which handles 100% inbound and 100% outbound by rail. Nine of our 10 elevators here, except one, are located so they do not have water transport outbound. They are land-locked. We are interested in having rail rates include transit privileges on which the industries were originally built.

There seems to be some difference of opinion as to how that can be done. It can be done by the so-called guaranteed basis. Our people feel they could live with it. At any rate, we feel inbound rail rates must carry normal transit privileges. These non-transit rates have worked out in moving some grain to the head of the Lakes, but have worked to the disadvantage of our Minneapolis operations—both flour mills and elevators.

We feel, to stay in the grain business and for railroads to stay in the hauling of grain, rail rates must be made competitive costwise. However that is to be done, the important thing is to get it done on a competitive basis so we can all stay in business.

Hudson (RA): Carrying that a little farther, what effect has this diversion of grain had on buyers, processors, country elevators?

Newman (ADM): So far as our Minneapolis business is concerned, on the non-transit rates, we're simply not in position to bid for any of that grain into Minneapolis.

Thorfinnson (Soo): Isn't it true that if conditions, as they existed prior to August 1958, had continued to prevail so far as grain rates into this area are concerned, the inevitable result would have been to force all those who stayed in the business to go to operations comparable to those of your competitors who could ship outbound by water? Or else get out of the business? Thinking particularly of companies which can receive truck grain in and find a water outlet, wouldn't it have meant a serious threat to operation of businesses such as yours, which are land-locked?

Newman (ADM): I think that's true.

Scoggin (Grain Ex): The Minneapolis Grain Exchange feels it was right for you to do something to meet competition. If you had done nothing, perhaps trucking would have increased. So we are in sympathy with railroad attempts to meet competition of truck grain inbound. We are not in sympathy with restrictions which make it impossible to buy grain which moves in on low [non-transit] rates when you intend to move that grain beyond the Twin Cities by rail, either as grain itself or as a product. There are numerous industries in Minneapolis which are tied to the rails and have no way to move grain in and out other than by rail.

(Continued on page 31)

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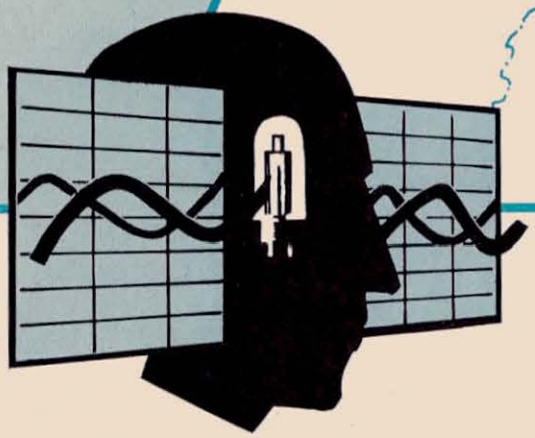

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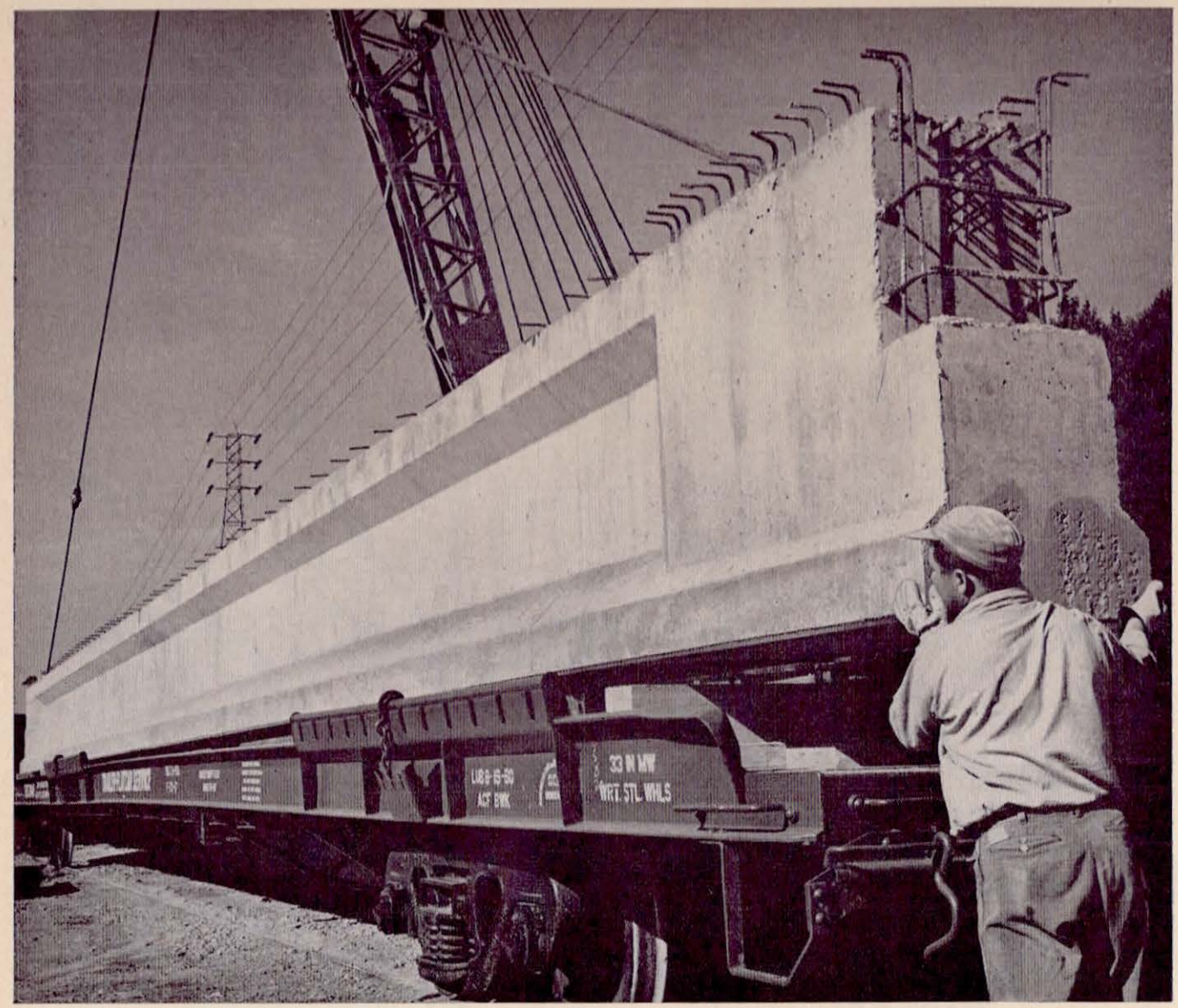

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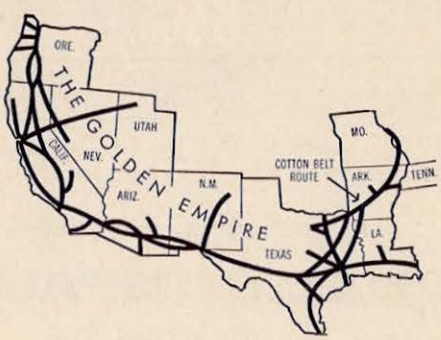

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GRAIN: BACK TO THE RAILS? *(Continued from page 26)*

So when grain comes in on these restricted rates, the rails' best customers —people who have been using rails and doing all their business that way —simply can't buy it. That we object to most strenuously. That did not exist when there was just truck competition. It was possible to get grain by rail despite truck competition as it existed then. It was the imposition of restricted [non-transit] rates that prevented railbound processors from buying rail grain.

Sullivan (M&StL): Will reshipping rates being put in on independent notice help the situation?

Scoggin (Grain Ex): They are restricted to wheat and flour outbound from the Twin City market, and do not apply to rye and flaxseed. There's nothing on other grain. Also, they apply only to shipments moving beyond Chicago, so the restriction still exists as to wheat and products moving to other markets or in other directions. But we do feel the rates are a step in the right direction, and we hope they will help.

Post (Cargill): Getting away from this narrow issue, the high level of rail rates has caused quite a decentralization of grain processing, in both the feed and flour milling ends, because of the ability to move whole grains cheaper than processed products. There is probably going to be further decentralization, so you'll be moving whole products via the cheapest mode of transit. The processing plants will tend to serve very narrow areas. There is a definite move in that direction, and I think it will continue.

Brown (GN): Does that mean you might build mills in North Dakota?

Post (Cargill): Well, not so much with flour. We have noticed it more in the feed industry. It's not merely the freight rate side of it, but also the service side, where you go into bulk feeding, putting feed right into the farmer's bins. It's necessary to give a particular area direct service where you can deliver by motor truck right onto the farm. That's why I think there is going to be more tendency toward "pocket mills" in feeding areas.

Stepner (Pillsbury): Some roads may feel that there is no necessity for lowering rates on flour where there is no truck competition and at the same time reduce rates where necessary on wheat between the same points due to exempt commodity truck hauling. This approach could be very harmful to railroads on a long-range basis. If wheat rates are lower than flour rates, this will encourage the flour miller to construct mills at the point of consumption, thereby moving wheat at the lower rates. Since wheat is exempt by truck and can be handled by water more economically than flour there will be more chance for the rails to lose the flour business which they now enjoy. One of the deterring factors to locating mills at consumption point is the comparatively large investment in a flour mill. If we ever see a breakthrough in a change in flour milling processes which would allow smaller investments in mills, a policy of non-equalization in wheat and flour rates could be disastrous to railroads.

Hudson (RA): Is there any truck competition on processed grain products—flour particularly?

Stepner (Pillsbury): It's very spotty. We do some private hauling, but only when we have a round trip. I don't know what railroads can do generally to recapture that. My personal feeling is that some private hauling could be more economically done by rail under a Plan III piggyback operation, but this competition is very, very small.

Hudson (RA): The competition is mainly, then, on inbound grain?

Stepner (Pillsbury): Except in the feed industry.

Brown (GN): On flour there must be published rates on notice to the public, so it doesn't produce this radical situation of enormously reduced rates to fill out empty return loads. It just won't work when regulatory bodies pass on a particular rate.

Flinchbaugh (Int'l): Then, too, distribution from local mills to local consuming areas is generally into highly industrial areas where there is no grain grown, so you're going out roughly 175 miles and coming back light. The economics are not there.

Hudson (RA): You just don't have the same setup, either as to regulation or traffic?

Flinchbaugh (Int'l): If there were a large consumption of flour out in the growing area, you'd have a different problem.

Brown (GN): If it hasn't already been made clear, we should say for the record that the predominant trucking of grain is of whole grain into primary markets from producing areas, and not through the primary markets.

Thorfinnson (Soo): Into primary markets or other territories with water outlets.

Flinchbaugh (Int'l): Except on your feeding grains and other coarse grains that go directly to feeding areas.

Brown (GN): That's true.

On any commodity, increases present a problem as to whether or not we'll lose traffic. We're ready, where traffic can't stand it, to consider letting the rates go back. But we do expect to come out of this with some very necessary added money in a period when we've had cost increases, though none of us expect to make a quarter of what our increased costs are, even on the most optimistic application of this new rate increase.

Relf (Osborne): We fully appreciate the problem of the railroads—and we hope the railroads fully appreciate our problems. Again, we are primarily rail-minded, but we do have to watch our competition very closely. We are buying transportation. I hope something may come out of this discussion and other thinking that's been going on for quite a while, and that the railroads can effectively find some means of combating competition. They were here long before the trucks and they'll probably be here long afterwards. I hope we can make an amicable settlement of the problem.

Hibbard (Milw): The rates we have put in are in the form of an experiment. We made a revision in 1958 on gathering rates which we think had a good effect. It has, to a degree, possibly forced trucks into other areas, but where we have it in, it has been effective. We've made other changes, and we'll continue to do it.

Luchsinger (NP): The position of the Northern Pacific has been well stated by Messrs. Thorfinnson and Brown. I think we concur in everything they have said.

Brown (GN): The position of the railroads, if I haven't made it clear earlier, is that the great growth of grain and grain production has been due to the fine system of cooperation between country elevators; inbound railroads; marketing, that puts grain through on a stable pricing system, and outbound railroads. Trucking is something that's grown up over the past few years, but it's temporary in character. We will adjust rates and get back into the grain business because grain can economically best be handled by rail as a bulk commodity.

To set up the railroad rate man's position, you can compare the situation to a very narrow highway down which you are running at very high speed. On one side is a deep ditch that says "too little, too late." On the other side is another deep ditch that says "too much, too soon." He's killed if he gets in either ditch.

What we are trying to do is meet competition as we find it, on a basis of results in railroads receiving from grain as their major and most impor-

(Continued on page 33)

KEEPING PRODUCTS "ON THE GO"

the Traffic Manager

In today's fast changing markets, the Traffic Manager in industry has an increasingly important position.

To speed the flow of information, he uses the latest developments in electronic data processing and communications, which railroads such as Union Pacific provide.

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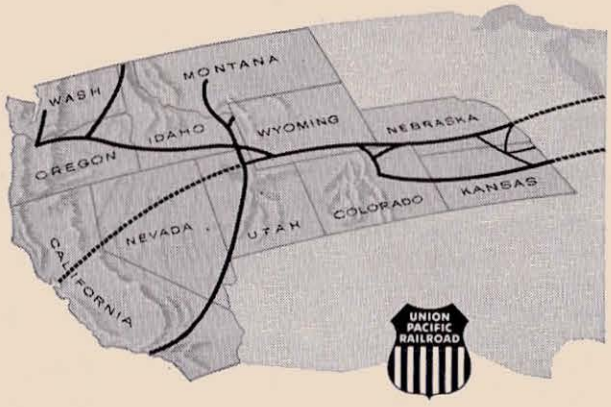


UNION PACIFIC
Railroad

tant crop an amount of money that will let them maintain their economic position and still provide the service the great bulk of grain traffic requires.

The trucks have not yet got up to any great proportion of our over-all grain business, which would mean they are not going to provide a complete substitute for railroad service. They are not. One important man in the grain exchange has calculated it would take 23 years for trucks, starting right now, to take over the entire movement of the whole western grain crop—from the standpoint of trucks and highways to handle them.

We are completely sympathetic to the problems of the grain industry. We may step on their toes with some of these experiments but they are experiments we feel obligated to make, if they work. If they don't work, we'll be the first to discard them.

Scoggin (Grain Ex): I'd like to repeat that the Minneapolis Grain Exchange is a rail market. Our success is largely dependent on the success of the railroads in moving grain into and out of our markets. We are certainly sympathetic with their efforts to meet truck competition, and are not only interested but anxious to have them do whatever is necessary or deemed by them to be prudent to meet competition in hauling grain to our market. We welcome attempts of that sort on their part.

Some of the things railroads have done to meet competition are things with which we have been wholeheartedly in agreement, and we have been gratified by the results of some of them. We've got a problem right now because they've put in an adjustment which we feel brought about some side, or even direct, effects that were harmful to substantial segments of our industry. That's in litigation and we'll just have to see what happens.

But our future is tied in very closely with the future of the railroads and I certainly hope we can get things straightened out so we are back in business together again. Some of the things they have done we feel are just exactly right. Other things we are not too sure about. Maybe parts were fine and parts weren't. But actually we have tried to stay out of their way and let them do whatever they felt necessary and prudent to meet their competition without interference from us. We think it's a problem the railroads should feel free to deal with, and it's only when we think our interests are being seriously affected that we will protest.

I certainly agree that beyond a certain short radius the most economic way to haul grain into our market is in a box car. We hope we can find some way to permit the railroads to realize their economic advantages in participating in that traffic.

One of the dominant factors in this —and I think it's very important—is that so much of the commercial transaction is on the rail rate deducted from the market price, so the producer gets his return on the basis of the rail rate. The exempt trucker who can haul below the rail rate after he makes his initial settlement offers opportunities for added profit to the parties beyond the initial transaction. That's one of the attractive things about the trucking of grain into the markets. We have followed this through station by station to know what the country elevator got below the rail price and what the receiver got below the rail price. It works out generally as pretty much of a division of the deduction below the set rail price.

Thorfinnson (Soo): The Soo Line is extremely dependent on grain traffic for its revenues. The entire economy of our railroad rises and falls with movement of grain by rail. Because of that, we find ourselves trying to meet the serious threat of unregulated competition by highway, river and lake with rate adjustments and service and equipment which will enable us to provide some sort of return on the investment we have in plant facilities. This poses a very serious problem to us, on which we think we should receive the full cooperation of industry, because we feel strong railroad systems are vitally essential to the economy of this area.

We have experimented with rate reductions designed to meet specific competition. We are prepared to continue working on whatever may be necessary in the way of new rates, or application of existing rate principles, to come up with some type of adjustment that will, first, insure substantially all traffic from our origin territory moving by rail into primary markets and, second, permit us as an intermediate carrier beyond primary markets to share in the rail movement of products and grain itself out of such markets. The one thing that can be done on a national scale to help all railroads, which would be more effective than any other single thing, is to modify the agricultural exemption provision so as to permit the railroads to compete equally with motor carriers and water carriers for this traffic.

Sullivan (M&StL): You mean you would either want the exemption extended to the rails or taken away from the other fellows. You don't care much which way it falls?

Thorfinnson (Soo): We feel a logical way to meet the problem is to restrict the exemption to what was originally intended, i.e., to movement from the farm to the initial market, in this case the country elevator. But if nothing is going to be done to limit the inequality which exists by restricting those exemptions, then necessarily we would feel we should be permitted the same freedom our competitors have.

Relf (Osborne): In the absence of any relief, how do you propose to combat this competition? Have you any definite plan?

Thorfinnson (Soo): The only type of rate adjustment I have seen in the railroad industry today, that can provide any protection against unregulated competition, is something in the nature of a guaranteed rate or an agreed charge. That offers an alternative which can be beneficial to the rail industry and still provide the things the grain industry needs in the interest of orderly marketing of grain and grain products.

Brown (G&N): Don't sell us short. We're going to meet this competition because grain is so important to the well-being of our granger railroads. We are operating both on the east and west end of our line with what amount to experimental rate adjustments. If they don't work we'll try something else.

I'll just point out that you now see on the railways something you didn't see for 15 years. That's new automobiles. They're back. They were entirely lost. On the West Coast we lost newsprint paper to water carriers for a number of years and we're now moving well over 100,000 tons a year.

So we feel the railroad industry, on the basis of straight economics, can make rail transport attractive. We have, however, to do what is necessary and go no farther. We can't afford the luxury of rollbacks of 30% all over the system. There was a day, maybe, when we could, but we're tightly held now to the necessity of trying to stay out of the red and in the black.

Quarve (Continental): On the basis of straight economics, do you mean rollbacks?

Brown (GN): You'll never meet truck competition no matter how far you go on rollbacks.

Stepner (Pillsbury): In the light of your tremendous competition, do you think any increase should have gone in in Ex Parte 223?

Brown (GN): We are in the national

spiral of increasing rates and prices. Also, when railroads apply an increase in rates, it's of an experimental nature with respect to the competition. Every other form of transport is in the same position we are with respect to increase in cost. With the economy taking another move forward on the inflationary spiral, we felt the Ex Parte half-cent—which amounts to $2 on the average truckload of grain, or the 1¢ which amounts to $4—could be borne. We had no strong expression of opinion that this would result in extreme diversion. Most of the protests in 223 related more to accessorial charges than to line-haul rates.

Newman (ADM): Our position is basically about the same. We realize the rail carriers must meet their competition, but we feel they should meet it in such a way that people who are tied to the rail industry should be maintained in business.

Stepner (Pillsbury): On the direct question of what railroads can do to recapture grain traffic, I can add very little. It goes far beyond that. Railroads generally have been doing a great deal in cost reduction programs and mergers. To me, the meat of the problem is really to get their costs down to a level comparable with their competition on all commodities—not just grain—and so build up a healthy railroad industry which will be in position to meet these spot difficult situations which now cost them a considerable amount of money. Much has been done, and I hope they continue to do a lot more along those lines.

Post (Cargill): To reiterate what I said previously, we are buyers of transportation. We are large users of all modes, though actually our rail transport bill is much higher than that of any other mode. We feel there is a place for each type of transportation and by working together we can have all modes in a healthy condition, which would be helpful to the grain industry as well as to the economy of the country as a whole.

McDonald (General Mills): I've had little to say because most of our discussion has been on non-transit rates. We have some interest in them. We realize the railroads are experimenting with something now. We're just waiting for them to get finished with the experiment. We are not too happy with it. We do handle some truck grain, but have made suggestions to the railroads as to how they might recover that in the form of refunds to the extent billing was cancelled. I think everyone is familiar with that suggestion and we are just biding our time.

Flinchbaugh (Int'l): As a processor, I heartily endorse this trial and error approach. Something had to happen to eliminate transportation cost advantages only falling into a relatively few hands, who weren't contributing their share to the nation's economy. Our foremost interest is in the end result, excellent service and Class A box car equipment, because we are very dependent upon the rails as an industry.

Sullivan (M&StL): We all recognize that the railroad situation is an extremely complex one. There are lots of flies in the ointment from the standpoint of operation. We need changes in regulation. We need a great deal more freedom to compete than we now have. We hope some of this can be developed, but in the meantime we are not standing around wringing our hands. As Mr. Brown says, we are trying to help ourselves with these experimental activities.

At the same time we ask the assistance of all you gentlemen in industrial traffic work to help us where you possibly can toward the remedies we need—revision of depreciation rates, for example. That may seem rather far away from the problems of industrial traffic management, but is actually very closely allied to it, because this whole concept of revising depreciation rates can mean a lot in terms of better equipment, more quickly.

We appreciate the interest you are taking in our problems and we certainly solicit your continued interest.

Railroading After Hours with Jim Lyne

HAND CARS—I haven't seen one of those back-breaking pump jobs in a long time, and I'm wondering whether they've all gone to the scrap heap. My limited personal experience with them (pumping out to a job when I was on a surveying party) gave me the impression that the only difference between them and walking was that they used up more muscle power; and were hardly any faster.

I hope there are no readers who regret the disappearance of this particular instrument of torture. The foreman used to hang on, while the hands did the pumping—thereby enabling onlookers to see who was boss.

The three-wheel velocipede (pumped horizontally) was, of course, quite different—a real saver of time and effort; and as good as a rowing machine for healthy exercise.

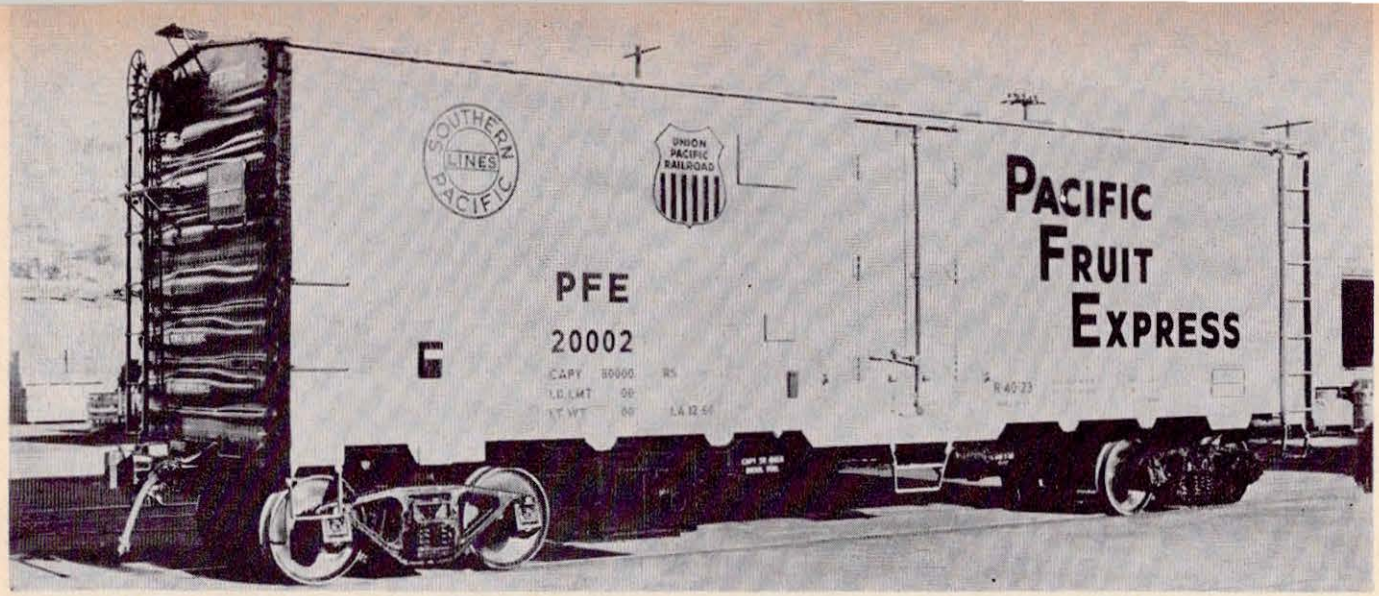
NO CIGAR YET—My offer of a good cigar to the genius who can come forward with the best practicable and effective plan for collecting adequately from "snowbirds" still stands. I've received several suggestions, but none that persuades me of its practicability.

A. M. Schreibman wants to set up a "regional transit authority" in every metropolitan area (presumably under federal government auspices). He would have rapid transit lines take over all urban and suburban passenger operations, eliminating autos from core areas entirely. Mr. S. is more sanguine than I am in his assurance that "this method only" will achieve a sound urban transportation system.

Maybe his plan would take care of the snowbirds, but only by having them (and everybody else) pay transit costs, largely by means of taxes.

'RAILROAD CAREERS'—RI's personnel vice president, G. E. Mallery, has sent me a recently revised copy of the brochure, "Railroad Careers," which outlines the road's training program in railroad operations and traffic sales—and gives, besides, a lot of basic information about the railroad.

The training program is designed to prepare promising college graduates for supervisory positions in the various departments of the railroad. Either during summer vacations, or after graduation, it is provided that candidates will get six to twelve months' experience in the ranks, and then spend some weeks at "orientation" within the department selected. Candidates also spend a month with a supervisor and several months of specialized departmental work (including checking by officers) before they are definitely assigned to supervisory positions. Some difference from the way these jobs used to be filled!



MORE LADING SPACE is provided when bunker comes out of 40-ft car for Ice-Tempco installation.

PFE Cars Cut Shipping Costs

► **The Story at a Glance: Pacific Fruit Express has good news for shippers of fruit and vegetables. Five hundred PFE 40-ft ice refrigerator cars are being equipped with Ice-Tempco systems. Ice-Tempco permits precise temperature control, increases a car's lading capacity, and cuts shipping costs. The system, it is said, is particularly good for vacuum-cooled products, tomatoes, and citrus and deciduous tree fruits. PFE may install the system in an additional 500 cars. One Ice-Tempco-equipped car has been test-operated by PFE since 1959.**

"Railroads have made one of their most significant steps in meeting truck competition." That's how L. M. Cox, traffic manager of the Western Growers Association, described the decision of Pacific Fruit Express to place 500 Ice-Tempco refrigerator cars in its produce-handling fleet.

"The vegetable and melon industry has repeatedly gone on record saying that the standard bunker-type (RS) refrigerator car does not meet our needs as to loading and refrigeration," Mr. Cox says. "We feel that Ice-Tempco is the first step in the right direction and will be helpful in the interim period when mechanical refrigerator cars are not yet available in sufficient quantities.

"Tomatoes have been shipped in an Ice-Tempco car with good results," Mr. Cox says. "It will not only provide refrigeration needed by the tomato shippers, but will also make available more cars which can be used by them. There is a growing tendency to ship tomatoes only in mechanical cars or in trucks. This will relieve the situation and encourage rail shipments."

Uneven ripening of mature green tomatoes on their way to market has been a problem for many years.

Tomatoes which are to be ripened at 70 deg at destination are sensitive to fluctuating temperatures and have a higher saleable yield if fluctuations are avoided. Chilling, which causes rot and uneven ripening, occurs if temperatures drop below 50 deg F. Fluctuations between 55 and 65 deg F, although a non-damaging range, do make subsequent even-ripening difficult.

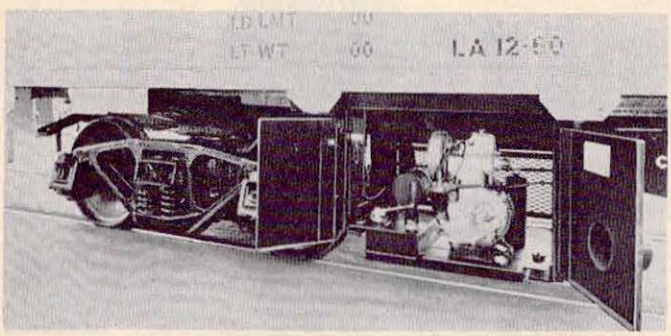
Tests, involving tomatoes, have been conducted comparing temperature-control characteristics of two types of cars: an RS car, and the PFE test car.

In the tests, participated in by the Agricultural Marketing Service of the U.S. Department of Agriculture, the Ice-Tempco car controlled temperature best. Tomatoes in the top and bottom layers in the conventional car showed evidences of chilling. Forced air circulation in conventional cars depends on car movement and is intermittent.

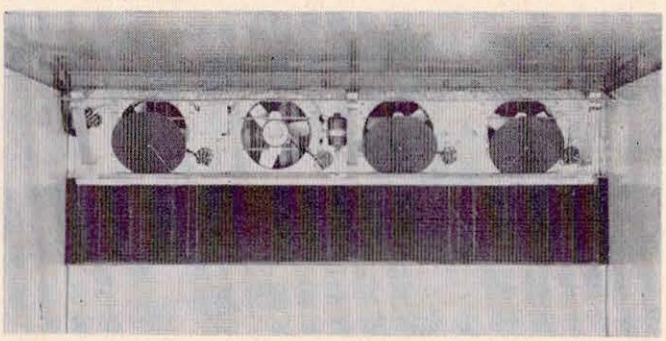
PFE officers say that tests made with all types of produce in the Ice-Tempco car over the past 18 months have proved successful. The car, they say, is especially good for vacuum-cooled products, tomatoes, and citrus and deciduous tree fruits.

The arrangement was developed by Preco, Inc., developer of the wheel-driven alternator and circulating fan arrangement with which many of today's refrigerator cars are equipped. Preco has designated the new design as its

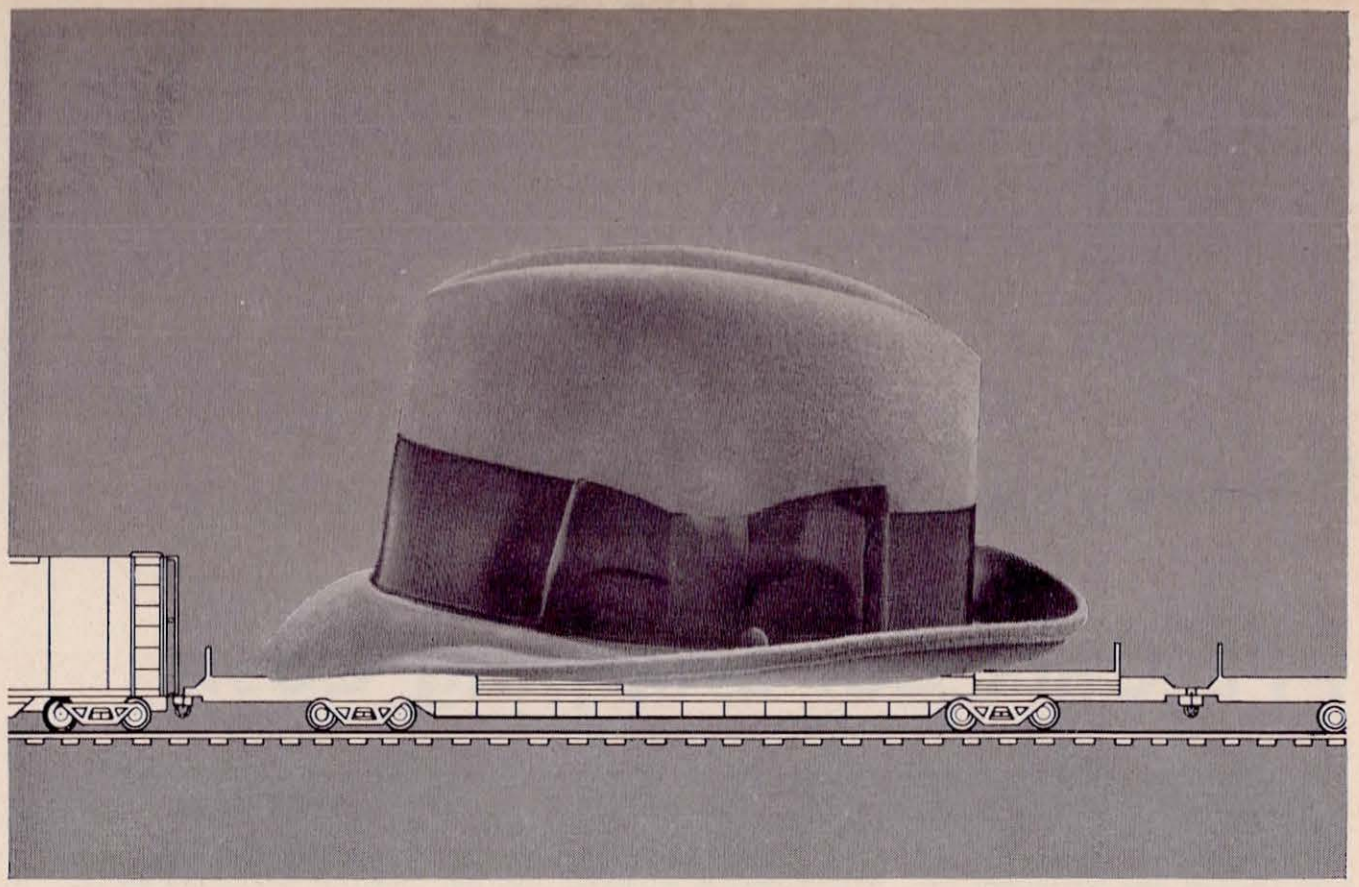
(*Continued on page 37*)



UNDERCAR 5-hp engine powers fan system.



THREE FANS cool car; one circulates air.



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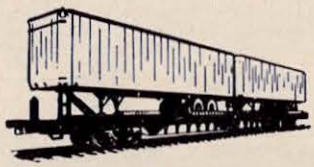
We mean, of course, keeping Seaboard's modern equipment and roadbed under every one of your shipments to and from the thriving Southeast.

Large or small, your freight consignment receives interested, alert attention all along the way. *Transportation is our business* — the only business we're in — and we want you to route S.A.L. many times in future. By striving to give you just the kind of service you want — and a little bit more, if possible — we hope to keep *our* wheels rolling under *your* shipments.



Seaboard's Piggyback service speeds shipments between North and South.

SEABOARD
AIR LINE
RAILROAD

IN THE SOUTHEAST IT'S SEABOARD

THE ROUTE OF COURTEOUS SERVICE

THREE RATE IDEAS SHIPPERS LIKE (*Continued from page 13*)

point to the customer, which reflects the current trend in marketing brought about by lower truck minimums and the trend of the trade to buying smaller quantities more frequently."

Kraft Foods' general traffic manager, W. H. Ott, sees rail costs an acceptable "floor" in volume freight. "There is a difference of opinion," he contends, "as to the type of rail costs to be used, but such distinctions probably arise when commodity rates are under consideration rather than with respect to class rates. Private truck costs may well be a 'ceiling,' though not necessarily the only ceiling. There may be other factors, different from and lower than private truck costs, which should be regarded as a class rate ceiling."

"A rate just above direct costs would at least contribute to overhead costs," says J. P. Taboika, general traffic manager, Cowles Chemical Co., Cleveland, Ohio. He points out that it is common practice in industry to manufacture small-margin products "just to bear a part of overhead costs."

Director of Traffic J. B. Griffin, of Scovill Manufacturing Co., Waterbury, Conn., suggests TOFC rates based on costs, "not truck rates," and a general application of all-freight rates.

Among those who responded on the negative side is George E. Perten, traffic manager, Virginia Dare Extract Co., Inc., Brooklyn, N. Y. He says:

"I believe class rates cannot be considered 'commercially useless' unless the entire system of transportation pricing is changed. This would not only involve changes in the method, but also changes in the basic ideas, such as full carrier liability, etc. . .

"It is, I believe, wrong to consider rail costs as a 'floor' and private truck costs as a 'ceiling.' There are certain transportation situations in which private trucks can operate much more economically than rail, and vice versa."

RRs Should Pick Their Traffic

Then Mr. Perten asks: "Why don't railroads decide which traffic they can handle better than anybody else and go after that? Sooner or later, they will lose traffic they cannot handle economically anyway, no matter what they try in the line of rate adjustments. For example, we have received carloads from a nearby point with a transit time of eight days. Trucks are now bringing in the very same loads from the very same point overnight. Freight charges via both media are competitive. Yet, the railroad salesman keeps coming in and asking me for the freight back. Does that make sense?"

Denver (Colo.) Chamber of Commerce Director of Transportation Vernon D. Gabe thinks the inherent-advantage principle would be destroyed if class rates were recognized as "commercially useless." Mr. Gabe believes shippers need a variety of service to fit individual shipment needs and that freight pricing should "be in relation to the service performed."

H. J. Bowman, general traffic manager, S. C. Johnson & Son, Inc., Racine, Wis., terms class rates "the yardstick for freight rates."

"They were arrived at over many years and after careful study," he points out. "If class rates were recognized as useless, then each and every commodity would undoubtedly be subjected to the same type of study that was given by the classification committees. We feel that where a commodity can justify a rating different than in the classification, then a different rating should be applied to that commodity."

Eugene Landis, director of transportation, International Minerals and Chemical Corp., Skokie, Ill., gives as his reason for failing to give a "yes" or "no" answer: "All of us involved in this very complex pricing system know there are reasons for the existing rate structure. This is not to say that the rate structure as it stands today should not be subjected to changes.

"It is understandable why class rates are recognized as being commercially useless, but they do have a purpose as a measuring stick for both the carriers and the industrial people. . ."

PFE CARS CUT SHIPPING COSTS (*Continued from page 35*)

"Cargotemp" system, but PFE calls its complete installation an "Ice-Tempco" car.

Five hundred cars are to be equipped while undergoing general repairs at the Los Angeles shop, C. Ahern, vice president and general manager of PFE, reports. Mr. Ahern said that consideration is also being given to equipping an additional 500 cars, which would be in service by August.

All are 40-ft ice-bunker cars with 4-in. insulation. For an Ice-Tempco installation, one ice bunker is removed. The remaining bunker is enlarged to hold over 7,000 lb of ice. This increases nominal cubic capacity of the lading space by about 10%. In addition, constant circulation and refrigeration in the car make it possible to load many commodities higher than before.

A 5-hp diesel engine and alternator are installed in a housing under the car along with a fuel tank having a capacity to operate the unit continuously at full load for as much as 15 days.

Four fans are used in the bunker end of the car. One serves as a "circulating fan" and the others as "cooling fans." The circulating fan, operating continuously, pulls air from the lading area up through a by-pass duct in the bunker bulkhead. The cooling fans operate at a fixed speed until the temperature of air in contact with the thermostat in the bunker by-pass duct has been lowered to the thermostat setting. Cooling fans are then stopped by the thermostat. Motor-operated dampers in front of the cooling fans automatically move to the closed position, preventing air flow down through the bunkers resulting from natural convection. As lading-air temperature rises to the thermostat setting, controls open the dampers and restart the cooling fans.

The thermostat control range is from 30 to 70 deg F, with control settings in 5-deg increments. A "Heater Service" switch reverses the action of the cooling fans which stop when the temperature rises to the desired point.

Light weight of the Ice-Tempco car is approximately 1,000 lb less than that of the conventional car. Inside length is increased 3 ft 3 in. to 36 ft 5¾ in., and cubic capacity is increased from 1,988 to 2,224 cu ft.

Studies by Western Fruit Growers show that on a typical lettuce shipment from Salinas, Calif., to Detroit, the Ice-Tempco car should make possible a freight saving of 20 cents per carton. The Ice-Tempco car can be loaded with 840 of the 43-lb lettuce cartons, compared with 640 cartons for the standard RS car. Instead of the standard refrigeration charge of $106.47 for the RS car, it is possible to use half-stage icing with a charge of only $83 per car.

"To the industry this will mean several million dollars annual savings," it was concluded. "Lettuce is one of the heaviest moving commodities and its shippers will be able to take advantage of savings more than others. Other commodities can reap similar benefits from the Ice-Tempco system."

Freight Operating Statistics of Large Railroads—Selected Items

Region	Road	Year	Miles of road operated	Locomotive Miles: Train miles	Locomotive Miles: Principal and helper	Locomotive Miles: Light	Car Miles: Loaded (thousands)	Car Miles: Per cent loaded	Ton-miles (thousands): Gross excl.locos & tenders	Ton-miles (thousands): Net rev. and non-rev	Road-locos. on lines: Serviceable Unstored	Road-locos. on lines: Serviceable Stored	Road-locos. on lines: B.O.	Road-locos. on lines: Per cent B.O.
New Eng. Region	Boston & Maine	1960	1,549	216,138	216,811	3,929	7,721	61.0	570,399	240,400	71	3	14	15.9
		1959	1,546	210,703	211,143	2,727	7,849	63.3	545,480	227,620	85	4	23	20.5
	N. Y., N. H. & Hartfd	1960	1,719	223,307	223,307	11,637	8,761	63.5	587,272	239,879	57	..	15	20.8
		1959	1,739	244,772	244,782	16,213	9,660	65.6	622,211	251,962	62	..	11	15.1
Great Lakes Region	Delaware & Hudson	1960	763	148,524	150,246	1,818	7,603	65.0	542,646	276,183	37	..	10	21.3
		1959	764	142,857	144,946	2,116	7,656	65.4	542,596	274,424	27	7	5	12.8
	Erie—Lackawanna†	1960	3,181	781,793	792,811	22,589	39,577	65.8	2,628,977	1,024,488	224	..	12	5.1
		1959	3,174	758,481	766,478	25,319	40,234	68.1	2,547,160	990,292	219	7	12	5.0
	Grand Trunk Western	1960	951	195,193	195,193	1,121	6,504	58.6	468,598	185,745	41	8	2	3.9
		1959	951	202,640	202,821	1,144	6,265	56.4	478,689	183,187	43	8	22	30.1
	Lehigh Valley	1960	1,114	186,916	188,606	4,415	8,667	65.0	601,330	274,495	32	..	2	5.9
		1959	1,114	186,448	188,570	4,485	8,245	66.9	554,495	252,481	28	..	6	17.6
	New York Central	1960	10,326	2,036,175	2,045,667	98,871	85,624	57.8	6,871,871	2,960,932	442	5	50	10.1
		1959	10,333	1,907,479	1,917,966	72,388	84,501	59.3	6,501,220	2,758,603	406	..	64	13.6
	New York, Chic. & St. L.	1960	2,155	591,361	591,361	5,052	26,236	62.3	1,961,400	850,656	109	..	3	2.7
		1959	2,155	528,049	528,049	4,036	25,591	64.9	1,797,174	770,087	101	31	8	5.7
	Pitts. & Lake Erie	1960	220	41,043	41,043	....	1,796	63.0	168,917	100,278	16	..	1	5.9
		1959	221	24,152	24,152	....	1,082	57.0	103,619	57,855	7	11	4	18.2
	Wabash	1960	2,400	430,341	430,482	3,897	20,759	63.1	1,481,928	615,225	102	..	12	10.5
		1959	2,379	424,684	425,018	4,079	21,094	64.9	1,438,458	582,006	114	..	3	2.6
Central Eastern Region	Baltimore & Ohio	1960	5,793	1,285,730	1,360,869	73,785	54,723	59.5	4,648,982	2,237,537	375	7	37	8.8
		1959	5,802	1,262,583	1,349,473	86,624	56,893	61.7	4,285,723	2,044,152	381	44	29	6.4
	Bessemer & Lake Erie	1960	203	43,966	42,893	173	1,671	62.7	131,938	123,784	11	3	..	..
		1959	203	18,743	18,548	4	396	52.5	42,442	23,142	9	4	..	..
	Central RR Co. of New Jersey	1960	593	101,190	102,396	4,865	3,880	65.3	304,103	164,440	63	2	4	5.8
		1959	597	108,192	109,455	5,681	4,105	66.4	314,392	168,835	67	2	2	2.8
	Chicago & Eastern Ill.	1960	863	104,914	104,914	2,309	5,072	61.2	407,734	206,471	27	..	5	15.6
		1959	863	110,961	110,961	2,107	5,210	62.9	411,296	207,249	26	..	6	18.8
	Elgin, Joliet & Eastern	1960	205	51,337	52,029	....	1,785	60.7	149,929	81,317	40	5	3	6.3
		1959	205	35,126	35,957	....	1,081	62.2	86,335	45,694	31	12	..	..
	Pennsylvania System	1960	9,809	2,524,830	2,653,975	155,911	112,046	63.7	8,567,918	4,103,435	686	12	85	10.9
		1959	9,865	2,370,662	2,471,327	144,271	106,711	64.7	7,618,581	3,431,393	623	30	86	11.6
	Reading	1960	1,302	310,610	313,949	5,685	12,785	64.2	914,319	475,781	143	4	19	11.4
		1959	1,302	247,835	248,543	8,592	10,228	62.3	858,982	456,622	139	9	21	12.4
	Western Maryland	1960	841	132,958	136,458	6,638	5,557	60.3	501,290	275,611	42	..	1	2.3
		1959	844	106,631	109,187	4,840	4,371	62.5	370,963	199,001	30	3	1	2.9
Pocahontas Region	Chesapeake & Ohio	1960	5,060	1,186,694	1,188,263	21,443	55,893	54.8	5,057,205	2,724,795	601	..	39	6.1
		1959	5,060	1,095,620	1,097,735	19,804	52,841	56.3	4,653,958	2,578,001	565	20	52	8.2
	Norfolk & Western*	1960	2,722	673,857	688,178	25,694	37,107	55.3	3,497,009	1,853,399	155	..	7	4.3
		1959	2,724	677,213	697,338	31,960	35,652	56.1	3,442,228	1,885,432	192	29	26	10.5
	Rich., Fred. & Potomac	1960	110	32,490	32,490	565	2,238	64.6	156,149	67,162	12	3	..	..
		1959	110	35,093	35,093	625	2,380	69.0	154,751	65,836	13	2	..	..
Southern Region	Atlantic Coast Line	1960	5,563	613,492	613,492	6,624	23,760	58.3	1,860,931	868,120	113	11	2	1.6
		1959	5,570	688,189	688,189	6,996	25,237	58.1	1,965,758	903,216	126	..	2	1.6
	Central of Georgia	1960	1,712	165,997	165,997	2,128	7,257	62.4	572,741	281,630	30	..	1	3.2
		1959	1,712	191,277	191,277	2,190	7,804	64.6	588,582	286,035	33	..	2	5.7
	Florida East Coast	1960	572	66,941	66,941	....	2,674	55.4	208,146	74,442	52	5	2	3.4
		1959	572	86,722	86,722	....	3,118	53.2	244,269	86,306	51	..	3	5.5
	Gulf, Mobile & Ohio	1960	2,717	262,251	262,251	86	15,385	68.1	1,116,130	558,975	86	..	5	5.5
		1959	2,717	266,747	266,747	34	15,165	68.2	1,075,027	530,232	87	..	4	4.4
	Illinois Central	1960	6,500	998,936	998,936	26,140	46,672	62.3	3,516,956	1,685,257	166	5	23	11.9
		1959	6,500	1,031,080	1,031,080	28,013	49,155	62.6	3,631,701	1,716,490	186	9	181	48.1
	Louisville & Nashville	1960	5,666	928,805	929,324	15,975	36,383	59.5	2,923,486	1,430,833	168	..	4	2.3
		1959	5,679	914,202	914,880	14,716	36,582	61.5	2,876,425	1,430,327	161	..	4	2.4
	Seaboard Air Line	1960	4,133	551,630	551,630	2,517	22,902	58.1	1,854,760	870,689	127	..	6	4.5
		1959	4,135	599,472	599,472	2,664	24,226	59.0	1,901,511	890,818	125	..	4	3.1
	Southern	1960	6,242	851,960	852,090	9,889	39,744	64.9	2,812,352	1,111,754	196	5	4	2.0
		1959	6,243	875,723	875,909	9,292	42,346	65.7	2,885,408	1,349,005	197	3	4	2.0
Northwestern Region	Chicago & North Western	1960	9,241	944,817	944,817	8,977	36,364	60.7	2,768,740	1,197,280	196	..	17	8.0
		1959	9,244	900,268	900,268	9,272	34,038	61.9	2,447,488	1,085,248	172	6	20	10.1
	Chicago Great Western	1960	1,437	138,076	138,076	282	7,602	67.6	542,873	261,676	25	..	2	7.4
		1959	1,437	140,214	140,214	193	7,309	67.3	511,512	239,861	23	..	4	14.8
	Chic., Milw., St. P. & Pac.	1960	10,588	848,624	856,745	9,008	41,307	63.2	2,977,177	1,318,469	154	13	10	5.6
		1959	10,591	865,303	873,022	12,430	42,551	66.1	2,842,389	1,266,907	322	16	9	2.6
	Duluth, Missabe & Iron Range	1960	574	84,878	85,112	392	4,015	51.7	438,116	265,839	57	42	7	6.6
		1959	556	28,086	28,093	65	662	51.9	63,615	36,170	52	30	1	1.2
	Great Northern	1960	8,268	994,068	999,126	25,998	43,526	64.0	3,183,317	1,456,941	274	..	24	8.1
		1959	8,279	955,742	957,613	19,930	41,512	66.8	2,894,563	1,310,038	271	..	13	4.6
	Minn., St. P. & S. Ste. Marie	1960	4,169	351,466	352,121	132	13,512	66.6	934,325	441,287	92	..	1	1.1
		1959	4,169	358,928	360,050	531	12,978	68.0	840,541	400,946	90	7	4	4.0
	Northern Pacific	1960	6,510	756,517	762,139	8,942	33,182	68.6	2,216,634	1,009,611	249	2	12	4.6
		1959	6,538	779,026	784,305	10,841	34,585	70.8	2,254,458	1,034,008	238	..	7	2.9
	Spokane, Portland & Seattle	1960	935	138,602	138,602	1,156	6,070	72.2	410,326	196,203	23	..	2	8.0
		1959	935	144,627	144,627	1,060	6,318	74.5	409,842	193,939	53	..	..	..
Central Western Region	Atch., Top. & S. Fe (incl. G. C. & S. F. and P. & S. F.)	1960	12,969	2,682,915	2,779,298	29,692	117,678	63.2	8,500,473	3,318,259	702	15	33	4.4
		1959	12,992	2,734,957	2,893,290	57,572	122,468	64.8	8,541,810	2,283,271	634	..	40	5.9
	Chic., Burl. & Quincy	1960	8,613	1,140,169	1,139,075	29,615	49,871	65.6	3,397,686	1,484,633	146	2	52	26.0
		1959	8,647	1,170,002	1,167,484	29,248	51,236	64.8	3,453,171	1,464,114	150	5	75	32.6
	Chic., Rock I. & Pac.	1960	7,525	844,781	842,663	922	35,978	63.8	2,659,238	1,150,504	198	..	8	3.9
		1959	7,508	905,161	903,881	1,446	37,219	63.4	1,646,413	1,113,315	186	..	8	4.1
	Denver & R. G. Western	1960	2,128	290,422	307,486	29,627	14,591	73.3	1,002,030	485,085	80	5	7	7.6
		1959	2,128	287,348	304,745	27,897	14,231	73.1	936,011	438,821	84	5	8	8.2
	Southern Pacific	1960	7,899	2,161,075	2,244,593	135,034	98,803	65.0	6,855,408	2,883,538	721	22	37	4.7
		1959	8,011	2,276,726	2,364,671	132,973	103,200	64.6	7,110,008	2,946,097	748	1	21	2.7
	Union Pacific	1960	9,727	2,205,613	2,225,031	46,022	109,140	65.2	7,269,542	2,986,050	354	40	64	14.0
		1959	9,743	2,295,249	2,318,442	53,309	112,725	65.2	7,379,753	2,932,790	366	25	86	18.0
	Western Pacific	1960	1,188	271,193	275,158	9,190	11,251	70.4	729,283	322,272	54	..	2	3.6
		1959	1,188	285,095	290,737	12,144	12,075	71.6	756,145	325,994	46	..	1	2.1
Southwestern Region	Kansas City Southern	1960	886	118,816	118,816	52	7,419	66.5	550,230	256,871	22	..	1	4.3
		1959	886	119,176	119,182	42	7,777	65.0	575,348	260,551	22	..	2	8.3
	Louisiana & Arkansas	1960	746	68,893	68,893	26	3,542	65.4	274,989	132,030	19	..	..	..
		1959	746	79,892	79,892	....	3,819	64.9	297,132	141,558	20	..	..	..
	Mo.-Kans.-Texas Lines	1960	2,890	241,855	241,855	2,098	9,849	63.2	759,941	342,696	73	..	..	..
		1959	2,916	208,469	208,469	2,002	9,662	64.4	701,076	314,626	53	..	6	10.2
	Missouri Pacific	1960	9,406	1,132,257	1,132,257	8,415	54,487	63.1	4,053,880	1,873,482	202	3	16	7.2
		1959	9,428	1,137,028	1,137,028	8,450	52,671	64.1	3,838,625	1,754,926	221	3	13	5.5
	St. Louis-San Francisco	1960	4,505	601,632	601,632	6,404	24,911	67.1	1,724,513	815,512	100	3	11	9.6
		1959	4,527	610,218	610,218	8,265	26,581	69.0	1,757,786	816,027	96	..	13	11.9
	St. Louis Southw. Lines	1960	1,554	346,665	346,665	3,959	16,040	71.8	1,031,800	461,229	52	..	1	1.9
		1959	1,554	338,809	338,809	4,289	15,215	73.9	910,111	406,832	53	..	1	1.9
	Texas & New Orleans	1960	4,078	570,326	570,326	....	27,503	66.1	1,945,532	917,070	129	..	2	1.5
		1959	4,143	619,204	619,204	68	28,378	68.6	1,931,326	906,840	139	..	2	1.4
	Texas & Pacific	1960	1,819	252,446	252,446	2,363	12,357	64.6	908,136	364,927	37	..	2	5.1
		1959	1,822	292,343	292,343	2,790	12,776	65.4	905,655	353,645	38	..	2	5.0

For the Month of October 1960 Compared with October 1959

Region, Road and Year	Freight cars on line: Home	Freight cars on line: Foreign	Freight cars on line: Total	Per Cent B.O.	G.t.m.per train-hr. exc.locos and tenders	G.t.m.per train-mi. excl.locos and tenders	Net ton-mi. per train-mile	Net ton-mi. per l'd car-mile	Net ton-mi. per car-day	Cars-miles per car-day	Net daily ton-mi. per road-mi.	Train-miles per train-hour	Miles per loco. per day
New Eng. Region													
Boston & Maine 1960	2,188	7,850	10,038	2.2	40,403	2,642	1,114	31.1	794	41.8	5,006	15.3	92.0
1959	1,966	7,957	9,923	3.5	38,943	2,595	1,083	29.0	752	41.0	4,749	15.0	71.0
N. Y., N. H. & Hartfd. 1960	3,454	13,891	17,345	6.2	40,845	2,630	1,074	27.4	456	26.2	4,501	15.5	127.4
1959	3,315	12,986	16,301	7.6	38,219	2,542	1,029	26.1	499	29.2	4,674	15.0	138.6
Great Lakes Region													
Delaware & Hudson 1960	4,881	3,181	8,062	15.5	65,222	3,668	1,867	36.3	988	41.9	11,676	17.9	108.5
1959	4,098	4,978	9,076	9.3	64,587	3,814	1,929	35.8	1,034	44.1	11,587	17.0	134.9
Erie-Lackawanna† 1960	15,487	22,075	37,562	12.2	70,136	3,394	1,323	25.9	862	50.7	10,389	20.9	123.0
1959	17,380	21,270	38,650	10.1	67,303	3,390	1,318	24.6	822	49.0	10,065	20.0	119.1
Grand Trunk Western 1960	5,456	5,876	11,332	6.9	57,000	2,406	954	28.6	527	31.5	6,300	23.7	136.5
1959	5,242	7,168	12,410	6.3	53,961	2,370	907	29.2	478	29.0	6,214	22.8	96.0
Lehigh Valley 1960	7,016	8,719	15,735	17.1	66,904	3,255	1,486	31.7	568	27.6	7,949	20.8	202.8
1959	6,839	7,228	14,067	13.9	62,711	2,994	1,363	30.6	588	28.7	7,311	21.1	202.3
New York Central 1960	61,540	75,320	136,860	11.6	61,395	3,409	1,469	34.6	684	34.2	9,250	18.2	157.3
1959	62,914	73,292	136,206	8.5	59,216	3,437	1,459	32.6	659	34.1	8,612	17.4	154.0
New York, Chic. & St. L. 1960	10,199	15,259	25,458	12.0	58,448	3,368	1,461	32.4	1,066	52.7	12,733	17.6	192.9
1959	11,533	12,278	23,811	14.8	59,695	3,450	1,478	30.1	1,068	54.6	11,527	17.5	138.8
Pitts. & Lake Erie 1960	6,973	3,548	10,521	9.8	68,002	4,127	2,450	55.8	272	7.7	14,704	16.5	83.3
1959	8,764	1,886	10,650	5.8	76,303	4,339	2,423	53.5	169	5.5	8,445	17.8	36.5
Wabash 1960	6,140	9,777	15,917	10.3	78,956	3,445	1,430	29.6	1,211	64.7	8,269	22.9	130.0
1959	10,053	6,535	16,588	11.9	74,811	3,399	1,375	27.6	1,127	63.0	7,892	22.1	125.1
Central Eastern Region													
Baltimore & Ohio 1960	57,772	32,521	90,293	21.2	59,815	3,681	1,772	40.9	767	31 5	12,460	16.5	114.7
1959	65,961	34,562	100,523	20.0	54,961	3,446	1,644	35.9	659	29.7	11,365	16.2	105.7
Bessemer & Lake Erie 1960	3,970	1,872	5,842	11.3	47,087	3,288	3,085	74.1	662	14.3	19,670	15.7	121.4
1959	7,820	771	8,591	4.3	34,200	2,380	1,298	58.4	83	2.7	3,677	15 1	52.5
Central RR Co of New Jersey 1960	3,682	9,338	13,020	19.4	46,000	3,119	1,687	42.4	400	14.5	8,945	15.3	71.3
1959	4,113	10,282	14,395	18.2	41,619	3,025	1,624	41.1	389	14.3	9,123	14.3	75.1
Chicago & Eastern Ill. 1960	3,021	3,060	6,081	15.3	67,139	3,916	1,983	40.7	1,024	41.1	7,718	17.3	112.4
1959	3,405	2,815	6,220	20.0	65,639	3,731	1,880	39.8	1,073	42 9	7,747	17.7	123.2
Elgin, Joliet & Eastern 1960	6,852	5,459	12,311	7.0	24,213	3,018	1,637	45.6	212	7.7	12,796	8.3	47.8
1959	8,679	2,646	11,325	5.1	21,223	2,517	1,332	42.3	130	4.9	7,190	8.6	36.7
Pennsylvania System 1960	104,259	80,201	184,460	15.9	59,361	3,498	1,675	36.6	736	31.5	13,495	17.5	127.9
1959	113,830	82,990	196,820	15.6	57,365	3,304	1,488	32 2	566	27.2	11,220	17.9	125.3
Reading 1960	13,006	12,895	25,901	14.7	53,790	2,944	1,532	37.2	581	24.3	11,788	18.3	78.4
1959	19,241	14,043	33,284	22.3	53,393	3,466	1,842	44.6	457	16.4	11,313	15.4	62.1
Western Maryland 1960	7,000	3,732	10,732	8.3	55,705	3,802	2,090	49.6	830	27.8	10,572	14.8	120.2
1959	7,254	2,616	9,870	7.0	50,485	3,528	1,893	45.5	648	22.8	7,606	14.5	122.9
Pocahontas Region													
Chesapeake & Ohio 1960	64,305	31,318	95,623	7.7	71,153	4,280	2,306	48.8	933	34.9	17,371	16.7	66.2
1959	60,416	29,045	89,461	6.4	75,785	4,270	2,365	48.8	928	33.8	16,435	17.8	61.7
Norfolk & Western* 1960	49,757	8,053	57,810	2.1	88,730	5,288	2,803	49.9	1,033	37.4	21,964	17.1	152.3
1959	50,565	11,258	61,823	4.0	88,351	5,157	2,825	52.9	953	32.1	22,328	17.4	103.6
Rich., Fred. & Potomac 1960	177	1,245	1,422	2.5	93,896	4,819	2,073	30.0	1,584	81.7	19,696	19.5	77.1
1959	111	1,011	1,122	1.7	94,765	4,420	1,880	27.7	1,966	103.0	19,307	21.5	81.6
Southern Region													
Atlantic Coast Line 1960	18,422	16,815	35,237	4.8	49,581	3,041	1,419	36.5	787	36.9	5,034	16.3	181.3
1959	18,849	16,588	35,437	4.9	48,996	2,865	1,317	35.8	805	38.7	5,231	17.2	198.3
Central of Georgia 1960	4,144	5,711	9,855	4.7	59,351	3,453	1,698	38.8	959	39.6	5,307	17.2	196.1
1959	3,249	5,613	8,862	3.8	53,270	3,083	1,498	36.7	1,019	43.0	5,390	17.3	198.0
Florida East Coast 1960	656	2,839	3,495	.7	53,632	3,109	1,112	27.8	659	42.7	4,198	17.2	40.8
1959	613	3,210	3,823	.6	47,737	2,817	995	27.7	769	52.2	4,867	16.9	56.5
Gulf, Mobile & Ohio 1960	6,681	10,771	17,452	6.2	78,040	4,257	2,132	36.3	1,066	43.1	6,637	18.3	102.1
1959	6,552	10,926	17,478	5.3	75,877	4,032	1,989	35.0	1,006	42.2	6,295	18.8	103.6
Illinois Central 1960	24,666	27,595	52,261	2.8	59,463	3,539	1,696	36.1	1,058	47.1	8,364	16.9	167.3
1959	24,625	28,273	52,898	3.9	59,400	3,545	1,675	34.9	1,052	48.1	8,519	16.9	100.7
Louisville & Nashville 1960	35,090	17,072	52,162	11.5	55,687	3,161	1,547	39.3	876	37.4	8,146	17.7	199.6
1959	34,811	18,206	53,017	10.4	55,158	3,158	1,571	39.1	893	37.1	8,125	17.5	194.4
Seaboard Air Line 1960	17,032	12,600	29,632	4.6	60,550	3,431	1,610	38.0	947	42.9	6,796	18.0	157.5
1959	16,720	13,851	30,571	3.3	58,589	3,226	1,511	36.8	944	43.5	6,949	18.5	176.2
Southern 1960	19,377	31,378	50,755	3.7	57,592	3,306	1,307	28.0	710	39.1	5,745	17.4	151.2
1959	20,114	28,605	48,719	3.9	57,577	3,303	1,544	31.9	894	42.8	6,970	17 5	156.1
Northwestern Region													
Chicago & North Western 1960	21,521	31,322	52,843	8.5	49,129	2,936	1,270	32.9	749	37.5	4,179	16.8	160.8
1959	21,091	31,460	52,551	4.8	49,533	2,726	1,209	31.9	690	35 0	3,787	18.2	168.0
Chicago Great Western 1960	2,044	4,535	6,579	3.7	72,996	3,934	1,896	34.4	1,309	56.3	5,874	18.6	178.6
1959	2,267	4,283	6,550	3.5	68,156	3,655	1,714	32.8	1,214	55.0	5,384	18.7	181.4
Chic., Milw., St. P. & Pac. 1960	27,829	25,350	53,179	6.0	68,816	3,517	1,557	31.9	806	40.0	4,017	19.6	172.5
1959	27,091	24,502	51,593	4.4	65,772	3,295	1,469	29.8	779	39.6	3,859	20.0	90.1
Duluth, Missabe & Iron Range 1960	13,350	672	14,022	1.5	83,722	5,644	3,424	66.2	605	17.7	14,940	16.2	30.5
1959	12,696	334	13,030	1 3	43,129	2,381	1,354	54.6	86	3.0	2,099	19.0	13.5
Great Northern 1960	22,828	20,795	43,623	2.5	65,483	3,235	1,481	33.5	1,036	48.4	5,684	20.4	123.9
1959	22,995	18,731	41,726	2.1	63,200	3,054	1,382	31.6	984	46.6	5,104	20.9	120.3
Minn., St. P. & S. Ste. Marie 1960	6,998	7,408	14,406	8.6	51,652	2,664	1,258	32.7	953	43.8	3,415	19.4	131.8
1959	7,278	6,217	13,495	6 1	47,282	2,348	1,120	30 9	978	46.6	3,102	20.2	126.6
Northern Pacific 1960	17,781	12,869	30,650	3.1	61,846	2,937	1,338	30 4	989	47 3	5,003	21.1	100.8
1959	18,305	14,586	32,891	2.7	59,910	2,897	1,329	29.9	983	46.5	5,102	20.7	113.1
Spokane, Portland & Seattle 1960	1,570	3,965	5,535	3.5	42,662	2,969	1,420	32.3	1,088	46.6	6,769	14.4	184.6
1959	1,566	3,716	5,282	2.9	40,728	2,846	1,347	30.7	1,063	46.5	6,691	14.6	98.9
Central Western Region													
Atch., Top. & S. Fe (incl. G. C. & S. F. and P. & S. F.) 1960	53,066	37,690	90,756	5.2	79,797	3,173	1,239	28.2	1,172	65.8	8,254	25.2	129.3
1959	51,593	39,612	91,205	3.3	75,810	3,131	1,204	26.8	1,184	68.2	8,152	24.3	150.7
Chic., Burl. & Quincy 1960	24,613	22,843	47,456	4.8	64,072	3,001	1,311	29.8	986	50.5	5,560	21.5	204.6
1959	21,735	20,649	42,384	3.5	62,196	2,962	1,256	28.6	1,123	60.7	5,462	21 1	181.7
Chic., Rock I. & Pac. 1960	14,418	22,358	36,776	5.0	63,394	3,155	1,365	32.0	1,029	50.4	4,932	20.1	144.7
1959	15,808	22,030	37,838	5.0	60,833	2,931	1,233	29.9	961	50.7	4,783	20.8	162.3
Denver & R. G. Western 1960	7,505	7,242	14,747	5.0	71,197	3,456	1,673	33.2	1,056	43.3	7,353	20.6	128.3
1959	7,741	6,465	14,206	6.1	65,953	3,263	1,530	30.8	983	43.6	6,652	20.2	123.2
Southern Pacific 1960	27,898	35,829	63,727	1.7	74,917	3,207	1,349	29.2	1,443	76.1	11,776	23.6	107.2
1959	32,548	43,901	76,449	1.9	67,634	3,156	1,308	28.5	1,251	67.8	11,863	21.7	114.2
Union Pacific 1960	32,637	32,428	65,065	2.2	89,406	3,320	1,364	27.4	1,465	82.2	9,903	27.1	165.0
1959	32,550	32,559	65,109	1.7	86,626	3,237	1,287	26.0	1,426	84.0	9,710	26.9	167.1
Western Pacific 1960	2,593	2,960	5,553	5.5	78,098	2,698	1,192	28.6	1,980	98.2	8,751	29.0	169.2
1959	2,597	3,097	5,694	3.2	74,992	2,669	1,151	27.0	1,874	96.9	8,852	28.3	214.2
Southwestern Region													
Kansas City Southern 1960	2,267	5,217	7,484	4.9	95,048	4,634	2,163	34.6	1,107	48 1	9,352	20.5	188.3
1959	2,389	5,367	7,756	5.6	99,541	4,835	2,189	33.5	1,074	49.4	9,486	20.6	196.4
Louisiana & Arkansas 1960	1,803	3,049	4,852	8.5	79,776	4,014	1,927	37.3	869	35 6	5,709	20.0	134.4
1959	2,094	3,087	5,181	6.4	75,664	3,747	1,785	37.1	877	36.5	6,121	20.3	163.0
Mo.-Kans.-Texas Lines 1960	4,482	7,264	11,746	11.3	57,207	3,144	1,418	34.8	953	43.3	3,825	18.2	116.9
1959	4,494	6,261	10,755	10.5	53,867	3,373	1,514	32.6	932	44.4	3,481	16.0	125.5
Missouri Pacific 1960	22,843	27,721	50,564	6.3	70,743	3,590	1,659	34 4	1,199	55.2	6,425	19.8	178.0
1959	22,838	29,897	52,735	6.0	67,213	3,388	1,549	33.3	1,103	51.7	6,005	19.9	170.9
St. Louis-San Francisco 1960	8,601	11,617	20,218	1.4	59,258	2,883	1,363	32.7	1,303	59.3	5,839	20.7	192.2
1959	10,674	13,168	23,842	1.7	56,372	2,896	1,345	30.7	1,152	54.3	5,815	19.6	201.3
St. Louis Southw. Lines 1960	2,018	5,316	7,334	2.9	68,980	2,979	1,332	28.8	2,106	102.0	9,574	23.2	229.0
1959	2,528	4,619	7,147	1.9	61,077	2,691	1,203	26.7	1,980	100.2	8,445	22.7	221.0
Texas & New Orleans 1960	6,582	14,060	20,642	2.4	80,973	3,427	1,616	33.3	1,388	63.0	7,254	23.7	148.1
1959	5,892	13,855	19,747	2.3	74,196	3,136	1,472	32.0	1,444	65.9	7,061	23.8	150.0
Texas & Pacific 1960	3,459	5,788	9,247	6.2	81,726	3,623	1,456	29 5	1,294	67.8	6,472	22.7	228.1
1959	3,363	5,660	9,023	3.9	71,043	3,122	1,219	27.7	1,234	68.2	6,261	22.9	255.7

* Includes operations of Virginian Ry. Co. merged into Norfolk & Western Ry. Co., December 1, 1959.
† Includes the operations of the Delaware, Lackawanna & Western and Erie, merged October 17, 1960.
Compiled by the Bureau of Transport Economics and Statistics, Interstate Commerce Commission. Subject to revision.

RAILWAY AGE Service Page

The Challenge of Technology:

► The Story at a Glance: Technological advances over the past 20 years have changed the face of railroading. But they haven't come fast enough nor gone far enough. A troubled industry wonders how many more billions must be spent, how many more years must pass, how many more barriers must be knocked aside before the railroads can do the transportation job they know they're capable of doing.

The needs and the problems got a penetrating look last week at a top-level conference on technological change and the future of the railways, presented by the Transportation Center at Northwestern University and attended by 237 persons representing railroads and railroad unions, suppliers, other transportation modes, shippers, financial institutions, the military and the press.

Speakers at the Northwestern conference—railroad men, university professors, industrialists, a former labor leader—hewed to the line and the chips fell everywhere:

- "Despite all the improvements in technology which have taken place," Canadian National's chief of operational research declared, "railroads have been slow to respond to the challenge of modern technology and slow to take advantage of the potentialities of some of the mechanization changes which have already taken place . . . Possibly the most important single reason is the inadequacy of railroad research."
- Railroads' economic success, individually and as a group, depends mainly on the technological advances which managements develop and effect, a Yale professor contended.
- Railroads don't act as if technological competence is their major concern, a Miami University sociologist charged, "because strong groups in both management and labor appear to have far more to lose from proposed changes than they can hope to gain." And the main hope for overcoming these obstacles is "the threat of disaster that railroad labor, capital, management and railroad communities jointly face."
- Labor's attitude toward technological change is easily stated, and was, by the past grand chief of the Brotherhood of Locomotive Engineers: "We are afraid of it. [But] we recognize that it represents progress and is perhaps inevitable." Still, labor was once "in the forefront of the fight for technological change . . . The fact that it once was possible may provide us some encouragement to hope that railway la-

'The Ultimate Source of the Push

Management has a double responsibility for improving the industry's position, speakers at the Northwestern conference contended. First, they said, management must move as fast and as far as possible in promoting and using technological advances. And second, management must continue to fight for governmental policies which will permit the railroads to put their inherent advantages and their advanced technology to best use.

Kent T. Healy, professor of transportation at Yale, declared flatly that "both the place of the railroads as a whole in the total transport picture and their individual economic success depend more than anything else upon the technological advances which managements develop and put into effect."

Because management has lost responsibility and authority in the areas of service pricing, wages and working conditions, he said, "the responsibility for technological innovation among the various remaining responsibilities of management has become paramount."

Prof. Healy suggested that "the ultimate source of the push for innovation must rest with the top management, particularly with the chief executive officer . . . It goes without saying in today's society, with the emphasis on research and innovation, that every member of the top management must agree to the critical importance of innovation. But the effective carrying out of this responsibility calls for more than mere agreement in principle. Among the measures of real support are: How much time do the president and the top officers spend on their contributions to the innovation process? How much of a critically tight system budget do they insist be allocated to innovation, both in absolute terms and as compared to other uses? How much real inspiration do they give to subordinate officers in the course of their day-to-day contacts with them?

"All this does not mean," he added, "that the top officers should be personally working on the innovation of new devices . . . but rather that they should be working on the policies, planning and other general phases of the problem."

Prof. Healy had no pat answer as to where primary responsibility for the actual research and development work should be set. But, he said, "the lower down in the organization innovation can be centered, consistent with maintaining its breadth of approach, the better the last and most difficult phases of innovation will be carried out—that is, the stages of testing, modification and getting it put into effect."

The Yale transportation expert also called attention to management's "substantial degree of willingness to accept supplier initiative as a substitute for their own . . . In the areas where there are a very limited number of suppliers to whom the initiation for innovation has been allowed to revert, the railroads may be faced with decreased opportunities for variety in innovation, with the result that they may miss some very worthwhile possibilities or that improvements may be late in coming."

A number of European railroad officers, he said, "have expressed surprise that the U. S. railroads were as willing as they seem to be to abdicate so much of the responsibility for innovation to suppliers . . . This is not to suggest a reduction in supplier participation, but that railroad managements should, by their additional activity, set the pace and direction of innovation."

Prof. Healy listed several criteria for judging the types of innovation likely to have the greatest payoff:

- Those types of facilities for which large expenditures are made in normal years provide a built-in opportunity for innovation. The items are already being purchased, and further innovation can be included.
- A second criterion, that taking into account the labor-saving aspects of innovation, can be based on the extent of labor costs incurred for the various functions involved in railroad operation.
- A third type lies in measurement of the relative ability of possible innovations to improve transportation serv-

Are Railroads Measuring Up?

bor can overcome its present fears and adopt a realistic, long-range policy of supporting such improvements."

• Each mode of transportation has its own engineering capabilities and its own fields of technological usefulness, a professor of civil engineering at Illinois pointed out. And to ignore these in planning a national transportation policy is "to foster inefficiency and waste and to endanger national order and security." Planning should "regard transportation as a function . . . not as the operation of any one mode."

• Separate regulatory treatment of the various modes, a former ICC chairman charged, "tends to divide rather than unify the transportation complex. It promotes conflict rather than efficiency and economy, and to date [it] has produced only a wasteful guerrilla warfare which has hurt the carriers themselves and is jeopardizing the future of public transport as private enterprise."

• A more profitable railroad operation, a Harvard economics professor predicted, "is also likely to render a vastly improved service to shippers . . . Indeed, both objectives—improved private profits and better public service—can be achieved by simply applying the economic and technological knowledge that is already available. The real question is whether the joint managers of the American transportation industry, the regulatory agencies and the private companies, will see fit to meet the challenge of applying this knowledge."

So it went. Management, labor, government, the public—in short, all segments of the population directly or indirectly concerned with transportation —are assessed a share of the sin, either by omission or by commission.

But always there was hope—whether expressed by New York Central President A. E. Perlman, who sees a "growing and enlightened" public awareness of the industry's problems; or by retired Grand Chief Guy L. Brown of the BLE, who sees a possible reversal in labor's opposition to change.

Many of the experts interpreted the railroad problem as one stretching far beyond this one segment of the industry. Anthony F. Arpaia, vice president-international services of REA Express and a former ICC chairman, perhaps summed it up best:

"The greatest need today," he declared, "is a voice to express forcibly enough the profound stake of the public in a strong privately-owned transport industry."

Must Rest With Top Management'

ice, to make it safer, faster and more reliable.

• The final criterion "should reflect a combination of these various valuations of the potentials for innovation and may most effectively be presented in terms of some ideal, broad, integrated objective."

Without such criteria, Prof. Healy declared, "resultant mere chance development of innovations in one area or the other can lead to overlooking some of the best potential gains and to allocating resources where they are the least effective."

John D. Loftis, director of marketing for American Car & Foundry Division, pointed out that a manufacturing company—if it found itself in the situation facing the railroads—would have three courses of action open: reduce costs, or develop new products and drop unprofitable lines, or go out of business. Cost-cutting, he added, "is really the only avenue open to railroads because they have been prohibited by legislation from diversifying into other forms of transportation and, in most cases, from going out of business."

Many cost-reducing technological breakthroughs have been made—dieselization, improved signaling and communications, mechanization of M/W, machine accounting advances, development of specialized cars for specific lading. But, Mr. Loftis declared, "what perhaps is the greatest breakthrough of all, ironically, has not as yet been adequately recognized. That is the separation of the rolling structure of railroad cars from the containing structure—piggyback and containerization. This probably is due to the fact that the change has come upon us so gradually that no one has become fully aware of its potential implications and benefits.

"Separation of containing and rolling structures will put the total transportation picture more nearly in proper perspective, permitting each form of land and water transportation to perform the part for which it is best suited for the total job of moving freight without the costly delays of transferring from one to the other."

Development of piggyback cars—with trailer hitches, cushion cradles and racks—has provided a common denominator "that has permitted the railroads to offer flexibility in supplying transportation to a degree unheard of" just a few years ago.

Such equipment is expensive. Making it pay requires top utilization. Utilization is based on development of service made possible by determination of load centers. Mr. Loftis explained it this way:

"The key factor of such utilization is service. Load centers make this service possible. Briefly defined, load centers are formed by originating and terminating demand in volume . . . Both originating and terminating demand must be present and related, otherwise service is not possible. When service is made available, utilization is possible. When utilization is possible, improvements can be made and amortized. When improvements are made, service improves. When service improves, volume improves, and so we have a compounding of positive elements.

"Certain improvements are self-evident and incontestable. When a box car travels 48.5 miles per day and only about 60% of that is in revenue service, the emphasis must be on the lowest possible price. Lowest possible price means no cushion underframe, no load-restraining devices, no anti-friction bearings, no quick release valves.

"However, when you're averaging 197 miles per day as Trailer Train is doing and you're striving to raise this to 250 miles per day, then you add anti-friction bearings to forestall costly interruptions of service resulting from hotboxes; you add cushioning and load-restraining devices to avoid delays resulting from shifting loads and claims resulting from damage; you add quick release valves to avoid delays in terminals while charging air brake systems.

"What you do is to increase the capital investment per unit but by the same token to decrease the total capi-

(*Continued on page 48*)

SOMETHING **NEW** IN RAILROADING...

"CREATIVE CREWS"

of the Milwaukee Road

THE MILWAUKEE ROAD
One man can transfer the van from trailer to flat car in 4 minutes. First in the Midwest and Northwest with Flexi-Van, the improved door-to-door rail-highway service.

They come up with **resourceful** answers to shippers' problems—improving on "Piggy-Back"

America's resourceful railroad

An *idea* can be the difference between *new* business and *no* business!

The Milwaukee Road's Creative Crews, working with the basic idea of piggy-back transportation, have come up with several innovations in service to shippers. These innovations have built new business not only for the railroad but for its customers.

In January, 1960, the Milwaukee Road was the first railroad in the country to initiate a truck-rail-truck transport plan for the transcontinental piggy-backing of automobiles—reducing the transit time from Detroit to Spokane, Wash., by an average of 5 days over conventional highway delivery.

The Milwaukee Road's Flexi-Van fleet has expanded four times in size in two years. And it was the first Flexi-Van service in the industry to put 85-foot flatcars into service, carrying two 40-foot vans each, with 300 to 600 cubic feet of extra loading space.

Other innovations include pioneering in the delivery of mail by Flexi-Van, the development of special refrigerated vans for perishables, and a new sea-going van for "one-container delivery" overseas.

It is the high value placed on ideas, and the skill employed in carrying them out, that make our Creative Crews so valuable to shippers. This fresh, uninhibited, *creative* concept maintains the Milwaukee Road's reputation as America's resourceful railroad. The railroad industry, as well as our customers, benefits by it every day!

Route of the Super Dome Hiawathas and Western "Cities" Fleet

What Containers Need Now

► **The Story at a Glance: Lack of standardization, unresolved labor problems, equipment development costs and limited coordination between competing forms of transport are major difficulties to be overcome before containerization can reach full potential.**

Yet there are no less than seven economic factors working, already, in containerization's behalf. On balance, the container idea seems destined for rapid growth in the next decade.

This analysis is contained in a new study prepared by the market research department of Reynolds Metals Co. The study is scheduled for release later this week.

A few days ago in Detroit, the chief of research and development for Pullman-Standard, Norman E. Bateson, told an audience of automotive engineers that the key to containerization development is complete information on the "economical requirements for a container operation."

Engineering is not the major obstacle, Mr. Bateson said. Instead, it's a matter of obtaining broad information from transportation economists, traffic people, materials-handling experts and market research people.

One step toward providing this kind of information is being taken this week by Reynolds Metals Co. The company is releasing a 55-page report—"An Economic Study of Containerization and Its Markets"—prepared by H. E. Holmes of the market research department.

Mr. Holmes has limited his study to two general sizes of containers. These are the 8 by 8 by 8 and smaller cargo units, and the 8 by 8 by 10 and larger van units. In surveying what has been done in equipment development, he points out that containers are presently being made of at least five materials—aluminum, magnesium, steel, plastic and wood.

But the matter of equipment design and construction is only a part, a secondary part perhaps, of the container development, it has been said. Mr. Holmes notes that container manufacturers must become container specialists themselves. He suggests that work needs to be done to provide a container unit plus wheels "at a cost figure closer to the present highway trailer cost." He estimates that a trailer now has a competitive price advantage of about $1,000.

In a section on the "economics of containerization" Mr. Holmes' study lists seven advantages that companies may find in containers: lower freight rates, lower handling costs, lower in-transit insurance cost, reduced damage in transit, reduction or elimination of pilferage, improved distribution patterns and reduction of warehousing problems.

Each point is illustrated with specific examples and case histories. In essence, Mr. Holmes' list is a different way of saying what others have contended—that containerization is really a means of providing "total transportation" from production to consumer. It is both a transportation concept and a materials-handling concept.

Mr. Holmes believes that, if certain existing handicaps can be overcome, container operations will begin to displace piggybacking as it now exists. He points out that use of the container, vis-a-vis piggyback, will eliminate multi-state highway licensing, minimize the clearance problem that now affects some piggyback routes, eliminate high center of gravity and the occasional off-balance load characteristics, permit faster train speed in many cases and, ultimately, provide equipment purchase savings.

Thus, as Mr. Holmes sees it, there are potential operating advantages to the carrier which can be added to the benefits accruing to the shipper. But there is another side to the coin. Mr. Holmes cites four "major difficulties" which must be dealt with if the container concept is to reach volume proportions.

Standardization: While some progress has been made, and it is now possible to interchange 37- and 40-ft demountable bodies via some routes, present applications cannot be considered extensive in relation to total freight tons. Handling mechanisms still vary widely, and carriers tend to purchase containers on the basis of individual desire and equipment already owned. Establishment of a "family" of container sizes, handling mechanisms and appurtenances compatible to all modes of transportation is a possibility by 1965.

Labor: Containerized freight is intended to, and does, reduce labor required in transportation. The difficulty is one of short-range displacement, as in any application of "automation." The problem becomes one of cushioning the effects upon labor. As Mr. Holmes notes, some progress on that score has been made already in domestic water transportation. Efforts to settle this question in other countries have been less successful, and progress has "bogged down." Until the problem is solved, it will deter international container shipments.

Equipment costs: In the past, container production has been almost a job-shop-type operation—an arrangement which has changed rapidly in the past two years. Still, experience with assembly-line methods is limited and the evolutionary process toward well-designed, well-built and competitively-priced units will take time. Meanwhile, equipment manufacturers must remain alert to the needs of a market subject to rapid change. The supplier must be ready for practically all types of demand situations and be able to interpret these requests into specialized container equipment.

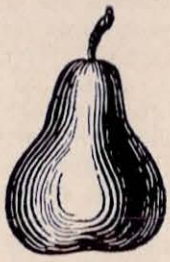
Coordination: The very nature of a container, embracing "total transportation, door-to-door," often requires the use of more than one carrier system. Some degree of cooperation and equitable distribution of cost savings among carriers is needed. The absence of integrated or coordinated carrier systems, as well as the historic competition between the various modes, can retard growth. Mr. Holmes points out that some realinement is currently in process, but it continues to be limited in the case of rail and motor carriers.

BOOM AHEAD FOR EQUIPMENT BUILDERS?

"As of 1959, there were approximately 125,000 general cargo-size containers in existence, including 80,000 of the Conex type used by the military. Van containers totaled 12,000 to 15,000, with the great majority in marine service.

"In the future it is believed the cargo-size unit will develop a volume potential of 600,000 units by 1970. . . Van-size containers should be in the area of 300,000 units."—*H. E. Holmes.*

For shipping chairs



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Santa Fe

John I. Barnes
B&O

Joseph J. Luddy
B&O

William J. Luchsinger
NP

H. D. Gray
T&NO

People in the News

BALTIMORE & OHIO—John I. Barnes, comptroller, Baltimore, Md., promoted to assistant vice president—finance and accounting. **Joseph J. Luddy,** assistant comptroller in charge of disbursement accounts, appointed comptroller, succeeding Mr. Barnes.

MAINE CENTRAL.—Harold J. Foster appointed executive representative at Portland, Me. Mr. Foster has been passenger traffic manager. His appointment to the executive department followed an arrangement to sell the last remaining passenger equipment owned by the road.

NORTHERN PACIFIC.—William J. Luchsinger, general freight traffic manager in charge of sales and service, St. Paul, appointed vice president-traffic, to succeed the late **Otto Kopp** (RA, Jan. 9, p. 35).

PITTSBURGH & WEST VIRGINIA.—J. A. Parsons, secretary and treasurer, appointed also assistant to president, Pittsburgh, Pa. **M. E. Mayes,** comptroller, named vice president and comptroller. **C. A. Thoma,** vice president—traffic, appointed vice president—sales. **A. H. Graham,** executive vice president, named vice president—transportation. **W. C. Kresge,** general superintendent, appointed superintendent of equipment. **W. K. Kearns,** engineer maintenance of way, appointed chief engineer.

TEXAS & NEW ORLEANS.—H. D. Gray, assistant treasurer, Houston, Tex., appointed treasurer there, succeeding **J. E. Echols,** retired (RA, Jan. 9, p. 35). Mr. Gray will continue to serve as secretary.

Industrial Traffic

Charles E. Cronauer, Jr., assistant general traffic manager, **American Steel & Wire Division, United States Steel Corp.,** Cleveland, Ohio, has been appointed general traffic manager, succeeding **James Ramsey, Jr.,** who recently was named general manager—traffic of United States Steel in Pittsburgh. **Robert J. Dunn,** traffic manager, Central area, Cleveland, named assistant general traffic manager. **John P. Schwarz,** assistant traffic manager, Central area, Cleveland, promoted to traffic manager there.

Harry M. Baker, general purchasing agent and general traffic manager, **Acme-Newport Steel Co.,** Newport, Ky., retired Nov. 30. **Charles K. Bonniville** appointed general purchasing agent, **James M. Ward, Jr.,** general traffic manager, and **William E. Stein,** assistant traffic manager, effective Dec. 1.

The New York office, Traffic Department, **E. I. du Pont de Nemours & Co.** has moved to new quarters in Rooms 1230-1241, Sheraton Whitehall Building, 17 Battery Place. The office was formerly in the Empire State Building.

John F. Ryan has been appointed manager, passenger and claims division, General Traffic department, **Goodyear Tire & Rubber Co.,** succeeding **R. J. Hoskins,** who has transferred to the dealer sales department.

Stirling T. Zimmerman, traffic manager, Chevrolet assembly plant at North Tarrytown, N.Y., promoted to general traffic manager, Central office, Chevrolet Motor Division, General Motors Corp., Detroit, Mich. **Harold A. Stater,** assistant traffic manager, North Tarrytown, succeeds Mr. Zimmerman as traffic manager, there. **Morley Smith,** assistant traffic manager, Chevrolet Los Angeles assembly plant, promoted to traffic manager, Chevrolet truck body and stamping plant, Indianapolis, Ind. **Paul M. Miller,** traffic manager, Indianapolis, named traffic manager at Chevrolet's Baltimore assembly plant. **John M. Reilly** traffic manager, Baltimore, transferred to Oakland assembly plant, succeeding **George D. Cron,** retired.

Eugene R. Knobel has been named general traffic manager, **Dayco Corp.,** Dayton, Ohio, succeeding **Grant H. Marks,** resigned.

Ernest Thublin, assistant traffic manager, appointed traffic manager, **Henderson Sugar Refinery, Inc.** of Mobile, Ala., and New Orleans, La.

Everett E. Jones, general traffic manager—truck, **Owens-Corning Fiberglas Corp.,** Toledo, Ohio, has been appointed director of transportation.

OBITUARY

Frank O. Higgins, Jr., 38, signal supervisor of train control, **Louisville & Nashville,** Louisville, Ky., died Jan. 14.

L. E. Faulkner, 77, chairman of the board and former president, **Mississippi Central,** died Jan. 16 at Hattiesburg, Miss.

Charles W. Yeamans, 74, retired purchasing agent, **Chicago & Western Indiana** and **Belt of Chicago,** died Jan. 21.

Henry F. McCarthy, 54, vice president—purchases and stores, **New York Central,** New York, died Jan. 26.

Shippers' Guide

Atlantic Coast Line

. . . All-Piggyback Train

Has inaugurated the first regularly scheduled all-piggyback train between the South and East. The train leaves Lakeland, Fla., at 5 p.m. each Saturday afternoon and arrives in New York early Monday morning for second-day delivery. Intermediate pick-up points are at Orlando, Palatka, and Jacksonville, Fla. Trailers are delivered at Baltimore, Philadelphia, and New York.

Baltimore & Ohio

. . . Cars for Close Clearance

Has ordered 25 Lo-Dek flat cars for handling 12½-ft trailers in close-clearance territories.

Chesapeake & Ohio

. . . New LCL Merchandise Car

Has inaugurated a direct LCL merchandise car to operate tri-weekly from Grand Rapids, Mich., to NYC-Toledo, Ohio.

Milwaukee

. . . Regional Data Office

Has established a regional data office in Aberdeen, S. D., employing a new freight accounting system designed to expedite freight billing and related services. This is a step in a larger plan involving installation of an electronic data processing system to handle fact-gathering and analysis functions for the railroad. The establishing of regional data offices will simplify and improve rating and billing procedures, in addition to providing important data for the electronic data processing system when it is completed.

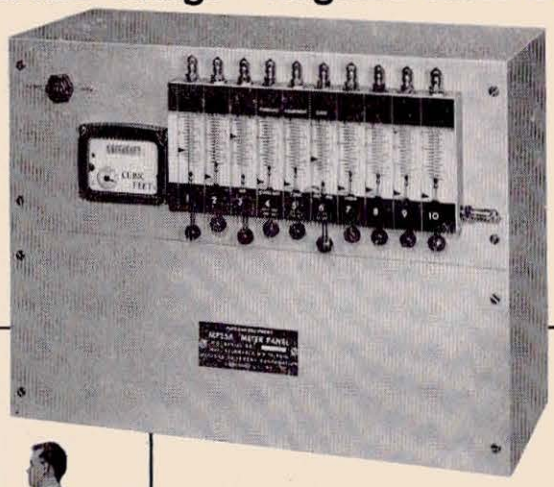
TRRA

. . . Improved Clearances

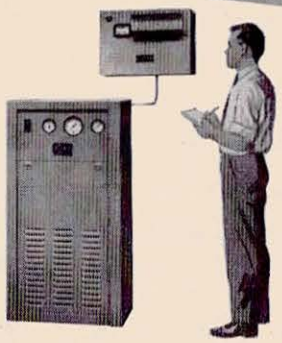
Recently completed a major program to improve its minimum clearances in the St. Louis Gateway to provide for movement of traffic measuring up to 18½ ft above top of rail. New clearance will allow unhindered interchange of traffic, including loaded bi-level and tri-level cars. Traffic interchanging between industries and/or connecting lines east of the Mississippi River can be handled without restriction up to 21 ft 3 in. above top of rail. TRRA also has consolidated five freight-car repair facilities into a single modern production line which operates on a two-shift, seven-day-per-week basis.

PRESSURIZE YOUR CABLES

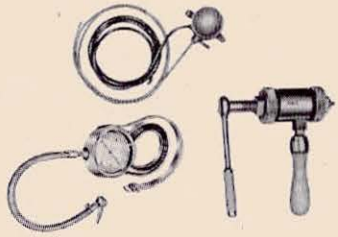
—to minimize service outage—lengthen cable life



Metering Panel of the PUREGAS Continuous Feed Pressure System. From a convenient central location it monitors, measures and distributes the flow of dry air to the cables.



Air Dryer of the PUREGAS system. It compresses and pumps air to a tank for storage cooling, preparatory to dehumidification and delivery to cables. Air Dryers and Metering Panels are products of Puregas Equipment Corporation.



GENERAL MACHINE PRODUCTS accessories. Pressure Testing Contactors monitor pressure and detect leaks. Pressure Testing Gauges measure pressure precisely. Pressure Guns make pressure plugs. These and associated tools are made by General Machine Products Co.

Pressurize your communication cables with dry air supplied through PUREGAS equipment. It is a practical, well proved way to minimize cable failure, trim upkeep costs and lengthen cable life. PUREGAS equipment feeds a continuous supply of dry air to cables to keep moisture from reaching conductors, whether cables are old or new.

Use GENERAL MACHINE PRODUCTS accessories to quickly pinpoint location of sheath breaks or cracks so that repairs can be made *before* service failure.

All equipment is distributed nationally by Graybar. For descriptive folders phone your nearby Graybar Representative, or write directly to Graybar.

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NEW HAVEN

SHIPPERS'

COSTS CUT!

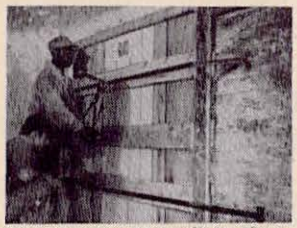
New *Incentive* Rates on Many Additional Kinds of Freight Announced by New Haven Railroad

You want savings. Ship via New Haven Railroad, and you get them. These new freight rates, now being set to an entirely new concept to attract vitally needed additional freight volume, are cut-to-the-bone competitive. Call us today and you will know what we mean by *incentive* rates.

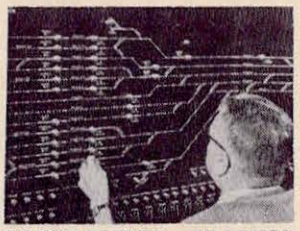
You want service. Ship via New Haven Railroad, and you get it. We have streamlined our freight service. Improved facilities, expanded piggyback services and trucking subsidiaries have all been coordinated to give you the service you want and need. Your shipments arrive on time and in perfect condition.

We urgently need more business. Your business. Please call us today. We will show you that the New Haven Railroad moves your freight faster, and cuts your costs way down. Contact your local New Haven traffic agent. Or call Charles Ragland, Vice-President, Freight Traffic, New Haven, Conn.

PIGGYBACK SERVICE STEPPED UP. You get advantages of rail plus trailer shipping. Faster all-weather door-to-door service.



SHIPMENTS ARRIVE IN PERFECT CONDITION. New Haven Railroad Loading-Packaging service helps you solve problems of packaging.



CENTRALIZED TRAFFIC CONTROL. New Haven Railroad's electronic switching and signaling network speeds train and car movements.

DESIGNED ESPECIALLY FOR CUSTOMER NEEDS, covered gondolas protect brass shipments. Other special cars available to fit your needs.

MARKET OUTLOOK *at a glance*

Carloadings Drop 5.1% Below Previous Week's

Loadings of revenue freight in the week ended Jan. 21 totaled 490,049 cars, the Association of American Railroads announced on Jan. 26. This was a decrease of 26,161 cars, or 5.1%, compared with the previous week; a decrease of 97,358 cars, or 16.6%, compared with the corresponding week last year; and a decrease of 65,701 cars, or 11.8%, compared with the equivalent 1959 week.

Loadings of revenue freight for the week ended Jan. 14 totaled 516,210 cars; the summary, compiled by the Car Service Division, AAR, follows:

REVENUE FREIGHT CARLOADINGS
For the week ended Saturday, Jan. 14

District	1961	1960	1959
Eastern	74,722	95,088	91,397
Allegheny	79,384	114,898	100,325
Pocahontas	46,022	54,915	49,715
Southern	107,076	115,707	113,070
Northwestern	58,892	65,890	66,815
Central Western	106,429	111,958	115,356
Southwestern	43,685	47,337	49,664
Total Western Districts	209,006	225,185	231,835
Total All Roads	516,210	605,793	586,342
Commodities:			
Grain and grain products	57,771	50,844	60,385
Livestock	4,679	5,434	6,119
Coal	104,485	114,972	116,173
Coke	5,212	12,119	8,751
Forest Products	34,653	41,377	37,978
Ore	11,740	22,759	16,013
Merchandise l.c.l.	28,469	36,613	40,322
Miscellaneous	269,201	321,675	300,601
Jan. 14	516,210	605,793	586,342
Jan. 7	439,193	589,801	550,666
	1960	1959	1958
Dec. 31	406,346	483,857	468,219
Dec. 24	467,978	468,889	432,148
Dec. 17	486,059	615,333	571,147
Cumulative total, 2 weeks	955,403	1,195,594	1,137,008

PIGGYBACK CARLOADINGS.—U. S. piggyback loadings for the week ended Jan. 14 totaled 10,269 cars, compared with 9,596 for the corresponding 1960 week. Loadings for 1961 up to Jan. 14 totaled 18,834 cars, compared with 18,591 for the corresponding period of 1960.

IN CANADA.—Carloadings for the seven-day period ended Jan. 7 totaled 48,259 cars, compared with 67,583 for the previous ten-day period, according to the Dominion Bureau of Statistics.

	Revenue Cars Loaded	Total Cars Rec'd from Connections
Jan. 7, 1961	48,259	20,531
Jan 7, 1960	48,839	24,219

New Facilities

► *Canadian National.*—Ordered equipment from General Railway Signal Co. for the installation of CTC between Portage La Praire, Man., and Melville, Sask., 223 miles. A pushbutton control machine will be located at Winnipeg, Man.

► *Erie-Lackawanna.*—Will spend over $1,000,000 this year to double the capacity of its eastbound freight yard at Hornell, N. Y. Orders for materials will be placed with suppliers "within the near future."

► *Illinois Central.*—Will spend $371,000 on construction of diesel facilities at Freeport, Kankakee and Mattoon, Ill., Central City, Ky., and Mays Yard, La.; and will build a $200,000 freight house at Memphis as part of its 1961 capital expenditure program. An additional $200,000 has been allocated for installation of CTC on 127 miles of track on the St. Louis Division's Blueford District.

► *Louisville & Nashville.*—Extending spur track from its main line north of Atlanta to the Georgia Power Company's Atkinson steam generating plant at a cost of $184,000.

► *Nigerian Railway Corp.*—Has been granted a $3,000,000 loan from the Development Loan Fund to finance the procurement in the U. S. of equipment and materials needed for relaying 77 miles of rail and 27 miles of steel ties. Project is part of an overall track relay program which will cost about $26 million and extend over 599 miles of the corporation's system.

► *Northern Pacific.*—Plans to abandon 65.89 miles of its Mandan South Branch line and construct 35.43 miles of new line between Mandan and Flasher, N. D. Inundation resulting from construction of Oahe dam in South Dakota as a part of the Missouri River Basin Project will necessitate the line change.

► *Norfolk & Western.*—Ordered Velac automatic switching and speed control equipment for retarders at East Roanoke, Va., yard from Union Switch & Signal Division of WABCo.

► *Reserve Mining Co.*—Is constructing a second 47-mi rail line between Babbitt and Silver Bay, Minn., as part of a $120 million expansion program of its taconite mining facilities. Hunkin-Arundel-Dixon is prime contractor for the $7-million line to be completed in 1962.

► *Turkish State Railways.*—A $6-million Development Loan Fund grant will finance foreign-exchange costs of constructing a 64-mile, single-track railway line in southeastern Turkey. Four tunnels, passing sidings, yard tracks, station buildings, a small ferry slip, and extension of the railway operating communications system are included in the project. Proceeds of the loan will be used to procure in the U.S. construction equipment and spare parts, rail and other track materials, reinforcing steel, plumbing and heating materials, shop tools, and communications equipment.

 (*Continued from page 41*)

tal required to perform a transportation service at less cost of operation, which results in less cost to the consumer."

The cost-service relationship also formed a base for observations on the automation outlook, by Peter B. Wilson, chief of operational research, Canadian National.

With the productivity per dollar of competition showing a 45% decline on U. S. roads since the end of World War II, he said, the overall results—balanced against the billions of dollars poured into industry improvements—are very disappointing.

"Moreover, and possibly of greater significance for the long-term future, the pressure to reduce manpower costs has . . . forced the railways into operating practices which may not be in the best interests of the industry.

"Movement is the life-blood of a transportation industry, but in the railroads movement is the exception rather than the rule. The pressure to reduce labor costs has, for example, led to long trains. These in turn have meant delays while cars accumulated and have resulted in bottlenecks in yards caused by classification requirements and the inspection and paperwork associated with long trains.

"The pressure to reduce operating costs will undoubtedly continue, and the more dramatic—and unpopular—developments in automation will have potential manpower savings as their primary purpose. However, of equal importance for the future will be those developments which improve the level of service provided by the railroad and, in so doing, restore the railroad to its natural competitive position."

Mr. Wilson charged the railroads with a slow response to the challenge of technology and to the potential advantages of present technology. Rail executives, he said, "are perhaps more resistant to change than executives of some of the newer industries." Moreover, most railroad changes involve large sums of capital. Labor and regulatory authorities bear part of the responsibility for the delay.

"But possibly the most important single reason is the inadequacy of railroad research," due primarily to two factors: Lack of research funds provided from defense sources; and lack of a profit incentive.

Needed: Public Policy That Will

Northwestern conference speakers agreed on a number of significant points. The issue of public policy on transportation produced perhaps the most striking display of unanimity.

Former ICC Chairman Anthony F. Arpaia, in particular, stressed the need for a complete revision of policy—and a full rewriting of present regulatory laws.

The time has come, he said, "to soberly measure how much we have to lose if public policy does not keep up with man's ingenuity and technology by giving each type of transport the opportunity to find its proper economic sphere."

The present theory of regulation, he charged, "has produced neither a sound transportation system nor low-cost service to the public . . .

"Transportation service has but a single function . . . The law and policy should similarly consider it as a single entity and supervise it with a single law, uniform policy and purpose. Each type has developed sufficient economic maturity to become vigorously competitive and should be treated as such. If any form is to receive special treatment, it should not be because of historical accident, but because of sound justification in the national interest.

"Separate treatment tends to divide rather than unify the transportation complex. It promotes conflict rather than efficiency and economy and to date has produced only a wasteful guerrilla warfare which has hurt the carriers themselves and is jeopardizing the future of public transport as private enterprise."

Mr. Arpaia, now vice president—international services for REA Express, pointed out that a new law can be devised to serve the essential aims of government in the light of existing political, economic, social and psychological conditions.

"This objective has not been served by continual patchwork," he said, "for the reason that the basic system is outdated and outworn. To continue with what we have points to the eventual demise of private ownership. The price the public would have to pay for the alternative, public ownership, is monstrous and oppressive."

Over the last 25 years, he added, "transportation has not suffered from a poverty of technology, but from a poverty of imagination, perspective and just plain courage. . .

"To effectuate a complete and profound revision of public policy, the regulated carriers themselves will have to take the initiative . . .

"The real question at this time is not whether there will be a revolution in transportation but who will direct it. The carriers themselves can take positive and prompt steps to help make their own destiny by supporting necessary legislation. Their choice between evolution and revolution is passing them by because of lack of self-criticism and action. There has been too much reluctance to reform—a standstill philosophy with an automatic recoil to any long-range idea or concept."

Both Mr. Arpaia and James C. Nelson, professor of economics at Washington State University, touched on the issue of national policy and transport pricing.

Mr. Arpaia called attention to the "illusion," growing out of present regulation, that a price differential should prevail without regard to a difference in cost. In our entire economy, he charged, "only in transportation is sound pricing considered discriminatory."

Law and policy, he said, "preserve the inherent weaknesses and disabilities of individual carriers rather than preserve the inherent advantages of each form of transportation as the law intended. The result is sheer economic waste and a form of industrial indigence which has no place in a free-enterprise society."

Prof. Nelson, discussing the industry's needs for capital, declared that "a complete revolution in rail pricing and service is required before anyone—the railroads, the investment bankers, the ICC or the public—will have a decisive and clear test as to how much capital investment really will be needed in railroading and whether any significant net capital formation will be required over the next decade or two."

Rail transport, he said, has generally been over-priced, while highway, domestic waterway and possibly airline transport has been under-priced.

"This uneconomic situation must be corrected by private and public policy modifications in order that rates

Mr. Wilson cited three areas where technological developments could find ready application and present a challenge to railroad research: Application of semi-conductor and ferrite techniques in signal and control systems; use of special-purpose computers for specialized jobs; development of nuclear power applications.

Then he listed five areas where further developments are "feasible, desirable and, in some cases, essential if the railroad industry is to remain a live force (this assuming that labor, sociological and political problems can be overcome):

- Automatic train operation would produce an immediate reduction in crew costs, would also lead to operation of smaller, more frequent trains and improved service to the shipper. A continued and accelerated trend toward development of an acceptable ATO system "appears inevitable."
- Synchronization of physical yard operations with associated paperwork is essential if maximum advantages of mechanized humping techniques are to be realized. Several roads—among them CN—are considering the use of computers to overcome paperwork delays.
- Management control can be improved through automation. "The possession of a computer has become almost a symbol of status—but in very few cases are the possibilities and potentialities of the new gadget being exploited. More and more permutations and combinations of the same basic data are being produced, but essential control data for operating purposes is usually conspicuous by its absence . . ."
- Automatic car identification could cut duplication of information and processing—if there were "reasonably widespread adoption of the ACI principle so that each railroad would be required to tab only its own cars. With a little cooperation between roads, the potential benefits of ACI could be very quickly realized and the whole data flow and IDP systems of railroads possibly [could be] revolutionized."
- Materials handling on the railroads ranges from the best to the worst. But the best can be had—automated systems can be produced "for any desired degree of complexity and for any price bracket."

Encourage Technological Advance

may come to reflect relative carrier costs, including all relevant right-of-way costs and the general costs of government services."

Several steps, he said, are essential:

- Railroads must take "far wider and more aggressive action in lowering competitive rates as justified by rail costs or potential costs and in improving their services."
- Economic regulation must permit the re-pricing of common carrier services, "or much of the current regulation must be abolished to allow transport markets to allocate traffic effectively."
- Congress must establish universal and adequate user fees, including some assessment of the social costs as well as the social benefits of public transport investment.
- Uniform economic criteria must be applied in both public and private transport investment decisions and public transport investments should not be made if greater social returns could be obtained from other public investments or from private transport investments.
- Far greater research should be conducted on technological and investment possibilities and costs in all fields of transport.

The only dependable way toward solution of the railroad capital formation and financing problem, Prof. Nelson concluded, is to solve "the overall misallocation-of-resources problem in transport as a whole.

"Even though the case for net capital investment in the railways may be weak or nonexistent, there is little question that an increased level of gross capital investment is needed for achieving a fuller degree of railway modernization, in order to insure adequate freight car and motive power capacity, to continue the welcome service improvements and breakthroughs of the past several years, to reduce unit costs to the maximum and to make the railroads fully competitive in terms of their cost and service advantages.

"Thus, public policies giving encouragement, even public aids in legitimate cases, to the attainment of greater railway profitability and higher levels of capital investment are wholly in the public interest."

(Prof. Nelson's estimate of railway capital needs in the future runs to about $1.5 billion annually—and that may be a conservative figure "in view of the great opportunities that still exist for yard and terminal modernization, extension of CTC and numerous other piecemeal line improvements." Requirements could go as high as $2 billion per year, with changes in public policy and reasonable success in competitive rate and service programs.)

Comparisons of inherent advantages and disadvantages of the various modes point to changes in the relative importance of different forms of transport—and to substantial disinvestments in railroad facilities—according to John R. Meyer, professor of economics at Harvard.

He sees inter-city trucking declining, as inter-city rail operations (particularly in containerized form) increase. Intra-city and spur-line rail operations should decrease, as similar highway operations increase. Pipelines will cut into both rail and barge traffic in the bulk commodity field.

Regardless of the accuracy of the forecasts, however, Prof. Meyer sees little doubt about the overall implications for future rail development.

"The inescapable conclusion . . . is that the role of the railroad will be drastically altered and probably will continue to decline in relative importance in the total transportation scheme. Above all, there can be virtually no doubt that substantial disinvestments must take place in railroad facilities . . . Extreme pessimism is, however, unwarranted, since railroading as such is not doomed but only railroading as it has been traditionally organized and operated. In fact, the railroad of tomorrow, with high specialization in the wholesaling of line-haul freight services and with investments in operating real estate and physical assets pared to a minimum, could be more profitable than almost any railroad operations that have been seen in recent decades.

"A more profitable rail operation is also likely to render a vastly improved service to shippers and thereby to the consuming public. Both objectives—improved private profits and better public service—can be achieved by simply applying the economic and technological knowledge that is already available. The real question is whether the joint managers of the transporta-

tion industry, the regulatory agencies and the private companies, will see fit to meet the challenge of applying this knowledge," the Harvard professor told the conference.

W. W. Hay, professor of civil engineering at Illinois, called for a public policy which shows an "awareness of the engineering capabilities and the encouragement of each carrier in the field of usefulness for which it is technologically adapted." To do otherwise, he declared, is "to foster inefficiency and waste and to endanger national order and security."

Transportation is a function, he said, and it should be regarded as such in policy planning. He proposed these policy concepts:

- Provision of a single transportation policy covering all modes.
- Allocation of traffic to the most efficient carrier, not by arbitrary apportionment but by creating "a legislative, regulatory and general public atmosphere that will permit the inherent advantages of each carrier type to be fully developed and utilized, and without artificial support in areas of technological disadvantage."
- Allocation on an arbitrary basis only where the public need for conservation of resources makes such allocation essential.
- "Granting deficiency support [subsidy] only where a carrier is required by public necessity to perform a service outside its area of engineering utility."

Unions Fear Technological Change

Labor and management are agreed that better relations between the two are needed. They're also mutually hopeful that the biggest single current problem—work rules modernization—can be eased through the operation of the Presidential commission on work rules.

Guy L. Brown, retired grand chief of the Brotherhood of Locomotive Engineers, sums up labor's attitude toward technological change very quickly: "We are afraid of it."

Once, he mused, it wasn't that way. Labor fought for technological improvement, under the motivation of a desire for safer, easier, more comfortable jobs.

"I wonder if the labor organizations in any other industry can match the record we compiled in those years," he commented. "More significantly, I wonder if it will ever again be possible for railway labor to show the same interest in promoting technological change. The fact that it once was possible may provide us some encouragement to hope that railway labor can overcome its present fears and adopt a realistic, long-range policy of supporting such improvements."

Right now, however, the labor organizations "reflect only the fears of their members for their jobs and the natural organizational concern over shrinking membership figures."

What's needed, Mr. Brown said, may be a program of education in the field of technological change.

"I have lived long enough and reflected enough," he said, "to become convinced that technology is changing and improving every industry and that an improved and changing technology is necessary for the survival of the railroad industry. . . .

"It is obvious that technological change requires human beings to adapt to new circumstances. . . One of the vital functions of education is to help individuals adjust to new and different conditions and situations."

Mr. Brown also called on the industry to "recognize and assume [its] responsibilities" with regard to providing some "safeguards and cushions" against automation unemployment.

New York Central President A. E. Perlman (whose remarks were read by J. J. Wright, NYC director of technical research) stressed the need for enlightened labor-management relations.

"You can readily appreciate," he said, "what great increases in productivity per worker can be obtained by the railroads if some arrangement can be made whereby this increased productivity, which modern technology will safely permit, could be obtained in a manner which would share the benefits between the workers and the investors who risk their capital in providing these new scientific developments. . . "

A pox-on-both-your-houses view came from W. F. Cottrell, professor of sociology at Miami University, who sees a clear reason why railroads "don't act as if technological competence were their major concern."

"Strong groups in both management and labor," he declared, "appear to have far more to lose from proposed changes than they can hope to gain. Acting on the logic of their position, they cannot be expected actively to pursue a course which offers gains primarily to others. If technological change is to come, then it will have to be forced on the railroads from outside by other interested parties, acting in what appears to them to be their interest."

It's Prof. Cottrell's contention that management has lost actual control to the bondholders. Those primarily interested in the security of their investment and willing to relinquish the opportunity to make profit, he contended, "have been able to set up government controls which assure them a first claim on the income of the industry. It's taken for granted that whether managers use the income from the sale of bonds wisely or foolishly . . . bondholders will continue to get a return on it and be able to recover it when the bonds mature. The values of these investors are institutionalized, given not only moral but also legal sanction, and the power to deny them their due is placed beyond the reach of corporate decision-makers. So to the degree that railroad management is beholden to the bondholders, it will judge technological change in terms of the way such change affects their interest."

Further, Prof. Cottrell charged, in many reorganizations the share of the equity holder has been almost completely wiped out. Stockholder claims have been so reduced that they get only a small part of the increased earnings that might result from technological innovation—and the effective claims of the unions and the tax collector cut the return still further.

"The result has been that there is no great and powerful group of stockholders fighting for the opportunity to make profits to offset the interest of the debtholders in security against loss."

Like management, he noted, labor is controlled by the survivors. And security is the main objective. Particularly in the operating crafts, a worker "establishes in his own mind a property right in the job . . . Work rules and the seniority roster are the rocks on which his economic and psychological moorings rest. Only as they remain fixed can he calculate his life chances—question any of them and his way of life is threatened to its foundations."

Labor, the Miami sociologist emphasized, "will continue to insist upon archaic rules until it is offered alternatives that guarantee to workers as much or more than do existing rules."

His hope for the future is on an or-else basis:

"There is one element in the situation that gives a lively hope that the barriers are not insurmountable. That is found in the threat of disaster that railroad labor, capital, management and railroad communities jointly face. Perhaps only when crisis threatens to destroy the whole industry will they set out to make a constructive solution."

Washington Eyes Merger Moves

► **The Story at a Glance: Investigation by the ICC of recent purchases of B&O stock indicates Commission concern about keeping current merger drives legal. Along the same line is the Department of Justice's intervention in additional merger cases "to protect its antitrust interest."**

Heavy buying of Baltimore & Ohio stock, including purchases by the New York Central and Chesapeake & Ohio, prompted the ICC to assign investigators to the job of determining whether any of the purchasers had acquired unlawful "control" of B&O. This much was admitted by officers of the Commission. But they revealed nothing more about the inquiry.

The Commission has no fixed rule as to the proportion of stock ownership which constitutes control. Generally, it has held that the owner of a relatively small block of voting stock may well be the controlling interest if the remainder of the stock is widely distributed. In a 1954 decision, for example, it noted that Alleghany Corp. controlled NYC even though Alleghany's interest in Central was then less than 10%.

The law involved is Section 5 (2) of the Interstate Commerce Act which requires Commission approval for acquisition by a carrier of control of another carrier. A major Commission action under this provision was its 1958 order requiring the St. Louis-San Francisco to divest itself of control of the Central of Georgia.

Frisco had acquired a substantial amount of CofGa stock before applying to the Commission for authority to control that road. The Commission conceded that the public interest would be served by the proposed acquisition, but nevertheless denied the application and issued the divestiture order. It found the public interest also concerned with "observance of the law," and said its sanction of Frisco's "unlawful conduct" might encourage others to present a similar *fait accompli.*

Frisco's latest undertaking to comply with the divestiture order is a proposal to sell the CofGa stock to the Southern. That proposal is now before the Commission in a joint Southern-Frisco application.

Presumably the B&O stock tendered to C&O and NYC under their exchange offers will not be involved in the ICC inquiry, which seems concerned with that purchased in the market. While C&O appears to have won the battle of exchange offers, and B&O-C&O unification has been approved by directors of those two roads, the Central has not given up.

Thus its purchases of B&O stock; and, like C&O, it has an application at the ICC for authority to merge with the B&O. Also it is an intervener in the B&O-C&O case. That proposal would affect the public interest adversely if it were approved without inclusion of NYC "on equitable terms," Central's intervention petition said.

Under the Interstate Commerce Act's Section 5 (2), the Commission has power to require inclusion of other railroads as a prerequisite to its approval of a merger or control transaction. The Commission may impose such a condition in response to the petition of a railroad or railroads desiring it, and upon a finding that the proposed inclusion or inclusions would be consistent with the public interest.

It was the B&O-C&O-NYC situation which aroused the Department of Justice's interest in the current merger movement. Several months after the C&O and NYC applications to control B&O were filed, the Department intervened in both cases.

Just this month it intervened in the Atlantic Coast Line-Seaboard Air Line case, which is now at the hearing stage. The applications were filed last July. Also this month, Justice intervened in the Western Pacific cases, i.e., those involving applications of the Southern Pacific and Santa Fe for authority to acquire WP. This WP situation also involves that road's complaint asking the Commission to investigate SP activities.

Until these actions of the last couple of months, the Department of Justice had shown no recent interest in railroad mergers. It did not intervene in the Norfolk & Western-Virginian or Erie-Lackawanna cases. Under the Interstate Commerce Act, parties consummating merger transactions approved by the Commission are immune from prosecution under the antitrust laws.

Meanwhile, the opposition of railroad labor unions to mergers has been emphasized again by Chairman G. E. Leighty of the Railway Labor Executives' Association. At a recent press conference, he said RLEA was still considering what type of legislation it might sponsor to implement its anti-merger program.

Dividends Declared

ATLANTIC COAST LINE.—50¢, quarterly, payable March 13 to holders of record Feb. 3.

CHICAGO, BURLINGTON & QUINCY.—$1.50, payable March 31 to holders of record March 14.

DETROIT, HILLSDALE & SOUTH WESTERN.—liquidating, $2, payable Feb. 6 to holders of record Jan. 23.

DETROIT & MACKINAC.—5% non-cumulative preferred, $5, paid Jan. 16 to holders of record Jan. 4.

MICHIGAN CENTRAL.—$25, semiannual, payable Jan. 31 to holders of record Jan. 20.

Seaboard Picks Up a New 'Passenger'

Auto piggyback cars are "paying passengers" on Saturdays on Seaboard's Portsmouth, Va.-Raleigh, N.C., "Tidewater." The autos travel as part of the passenger-train consist aboard Trailer Train bi-level auto racks, which are moved in regular freight trains on other weekdays. Auto shipments from Portsmouth to several southern destinations have expanded rapidly since the service began in November.

You Ought To Know...

Passenger-train TOFC "opens up exciting new possibilities for future rail transportation," said General American Transportation Corp. President T. M. Thompson in announcing delivery of 10 G-85 flats, adapted for passenger-train use, to Erie-Lackawanna. The road will piggyback milk tankers in passenger trains (RA, July 25, 1960, p. 6).

Texas citrus and vegetable shippers say "good delivery, minimum of claims and rates that are competitive with the trucks" account for the growth of piggybacking of fresh fruits and vegetables from the Rio Grande Valley to Midwest markets. The service began with two token shipments from Harlingen, Tex., in 1956 and totaled 2,075 shipments last season.

Miles per hotbox on the basis of cars set-off between terminals was 286,604 for October 1960. Cars with lubricator pads accounted for 2,146 hotboxes; cars with waste and other lubrication, 7,343 hotboxes. Record is best for October since 1953 when mileage was 293,796 per set-off.

Western Maryland has cut salaries of officers earning $10,000 or more a year by 10% and has furloughed "a couple hundred" employees, WM President W. A. Grotz told New York security analysts. Similar cost-cutting measures have been taken by the Baltimore & Ohio and the Reading (RA, Jan. 16, p. 7).

Repeal of the 10% excise tax on passenger fares and communication services is the most urgent legislative issue in the transportation and communication field in 1961, according to a poll conducted by the Transportation and Communication Department of the Chamber of Commerce of the U.S. Some 450 executives replied to the poll.

Government guaranty of a $3,000,000 loan to the Boston & Maine (reimbursing the road for capital expenditures made since Jan. 1, 1957) has been approved by the ICC.

One passenger was killed and 104 injured in train and train-service accidents in November 1960, according to a preliminary ICC report. There were no fatalities and 104 injuries in November 1959. Passenger fatalities in 1960's first 11 months totaled 30, compared with nine in the corresponding 1959 period. Twenty-five employees on duty were killed and 922 injured in November 1960, compared with 19 killed and 1,106 injured in November 1959. Employee fatalities for the 11-month period totaled 172 in 1960 and 149 in 1959.

Southern now offers through Pullman service on "The Southerner" between New Orleans and New York. Previously Pullman cars on the streamliner operated only between Birmingham and New York.

General American Transportation Corp. acquired the outstanding stock of Infilco Incorporated, Tucson, Arizona, manufacturers of water and liquid waste treatment equipment for municipal and industrial usage. Infilco, with manufacturing plants at Chicago and Salem, Ill., a foundry at Joliet, Illinois, and sales, engineering and Research divisions at Tucson, will continue to operate under its present management.

A $1,000 scholarship has been established by Women's Traffic and Transportation Clubs to encourage advanced undergraduate study by women in the field of transportation and traffic management. The Fred A. Hooper Memorial Scholarship, as the award is known, will be based on scholastic ability, need and potential.

An end to 22 years of litigation came last week with federal-court approval of a plan to distribute proceeds from the sale of assets of the defunct New York, Ontario & Western. Receivers will distribute $8,805,149 against claims totaling some $77 million.

A shipper's traffic problems would be simplified "if he could rely upon a single transport agency to move shipments by any mode," George L. Buland, vice president and general counsel of Southern Pacific, told the Pacific Coast Shippers Advisory Board in Los Angeles. He said that "some integration of rail and motor carriage can be accomplished under present law but usually not in a satisfactory, efficient and economical manner."

Now located on a 65-acre tract outside of St. Louis, the National Museum of Transport will petition the city of St. Louis to include in its proposed bond issue a sum to reloate the museum on a downtown, riverfront site.

The Railroad Institute of American University in Washington commemorated its 15th anniversary at a Jan. 19 dinner meeting which marked the close of this year's session. Speakers were President D. P. Loomis of the AAR and Tom Burke, railway sales manager, Cities Service Oil Co., who was president of the first institute's Class of 1946. Mr. Loomis outlined the railroad legislative program, meanwhile answering charges that the industry "has the crying towel out." He said: "What we're crying about is not the competition but the inequities. The only way to end them is to yell your head off and try to get some measure of equality into the situation."

Prizes of cash and PRR stock will go to the wives of Pennsylvania employees writing the best letters on the subject, "How a Railroader's Wife Can Help Her Husband Be Safe on the Job." The road will also award prizes to employees' children for the best safety posters.

Railway unions have advised Canada's Royal Commission on Transportation that they want to be consulted on railroad modernization plans. Declaring that "workers cannot be treated like old machines that are to be replaced," the unions proposed that advisory committees be set up on major railways to deal with questions of technological change, productivity and service curtailments.

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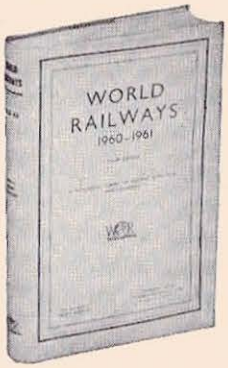

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Why the 'Hush, Hush?'

It is (demonstrably, in our belief) a grave error on the part of the Presidential commission on railroad working rules that it has decided to do its work in executive session—that is, with the press and public excluded. This mistake just must be recognized and corrected because, if persisted in, this secrecy will invite failure by the commission in the accomplishment of its purpose. This purpose, of course, is to study the problem of archaic working rules on the railroads, and to recommend a just, economic and acceptable solution to the issue.

Present working conditions and union conduct on the railroads are far removed from effective adaptation to the bitter realities of the murderously competitive environment which now surrounds the industry. The Railway Labor Act provides elaborate machinery for "fact finding" in union-management disputes, with the objective of arousing public opinion to the support of the recommendations of "fact-finders," named to resolve disputes. The law served this purpose effectively until President Roosevelt in 1941 failed to support the conclusions of his fact-finders. Since then, unions have more often rejected than accepted the recommendations of fact-finding boards.

Strikes in the railroad industry formerly were almost non-existent. Prior to World War II there were people who put in a lifetime of 40 or more years in railroad work—without being off duty so much as a single hour as the result of a work stoppage. Since World War II, service interruptions have been frequent, serious and unpredictable—and they are occasioned by increasingly trivial causes. Recent instances include the refusal of members of major railroad unions to cross picket lines of striking fringe organizations (e.g., those of the maritime employees in New York Harbor.)

Frequent and unforeseeable work stoppages on railroads are ruinous to railroad traffic, and consequently to railroad employment—because shippers just will not put full dependence on transportation service which is subject to unpredictable interruptions.

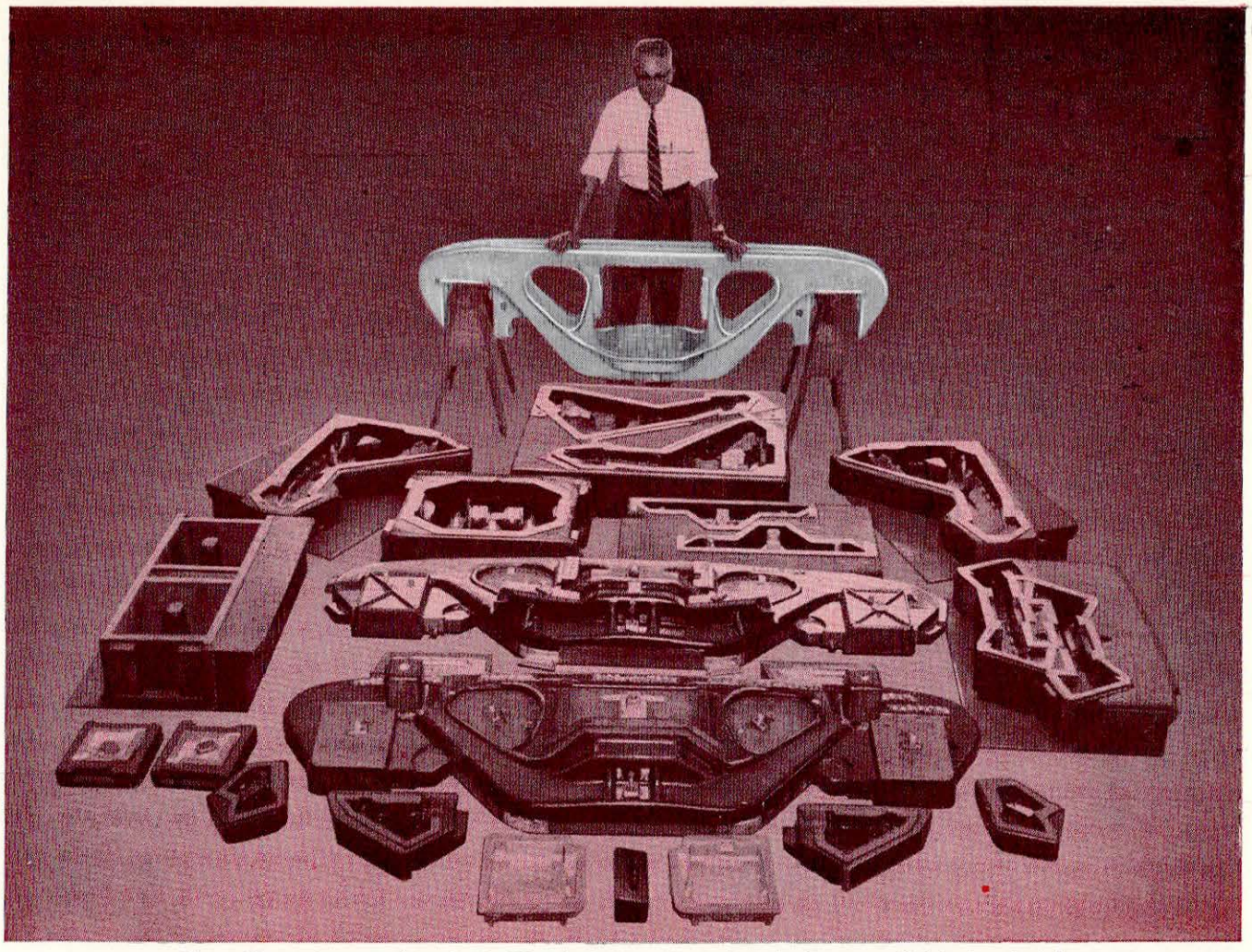
With all their other handicaps in competing effectively—i.e., subsidies and other governmental favors to their rivals—railroads just cannot hold onto their traffic, and provide reliable employment, with the added burden of frequent work stoppages; and with requirements in working rules which call for employment where it is not needed.

This paper believes the intelligent leaders of the standard railway unions are fully cognizant of this chaotic situation and its implications. If there were fewer unions in the railroad business—hence no rivalry as between unions—it would be politically feasible for able leaders to be as realistic in cooperating to improve the railroads' competitive effectiveness as John L. Lewis was in working with the coal operators to that end; and without the necessity of educating the rank-and-file and the general public as to the issues involved. But who among union leaders can summon up the courage to follow unexplained policies that might risk his being labeled a "company man" by his rivals among other union leaders?

If railroads were a one-union industry—like steel or coal or automobiles—it might, at least, be possible that a realistic program of policies mutually advantageous to unionists and employers alike could be worked out at the "top level," and without public discussion and education in the complexities of the issues involved. But, as things now stand, public education on these issues (including education of railway employees) is indispensable. Without such popular education, the findings of the Presidental commission would have scant chance of acceptance and support—either by the public or by unionists in the ranks.

There is one way presently available, and one way only, to provide readily and effectively the necessary popular education on present labor issues in the railroad industry—and that is through public hearings before the Presidential commission. At such public hearings, witnesses would be subject to cross-examination—hence would be encouraged to accuracy and prudence; and the press would report their testimony.

In the absence of such education of the public and railway employees, how is public understanding and opinion going to be prepared to put its moral force behind the conclusions of the Presidential board when it completes its inquiry? In short: Lack of open hearings by this commission invites failure in the accomplishment of the commission's purpose. It is a risk neither the unions, railroads, nor public interest can afford to take.



Elmer Clements, superintendent of Symington's pattern shop, looks over a finished pedestal type side frame casting, together with the pattern and core boxes required for its production.

What It Takes to Make a Side Frame

Producing the pattern for a railroad freight car side frame involves much more than translating dimensions from an engineering drawing. For example, molten steel shrinks as much as ¼ inch per foot during solidification. Also because cooling rates vary, it may twist or warp, requiring allowances to be made in the pattern and core boxes to produce an acceptable casting. The solution to these problems is the direct responsibility of Symington's patternmakers, whose skillful art is the result of a minimum apprenticeship of 10,000 hours.

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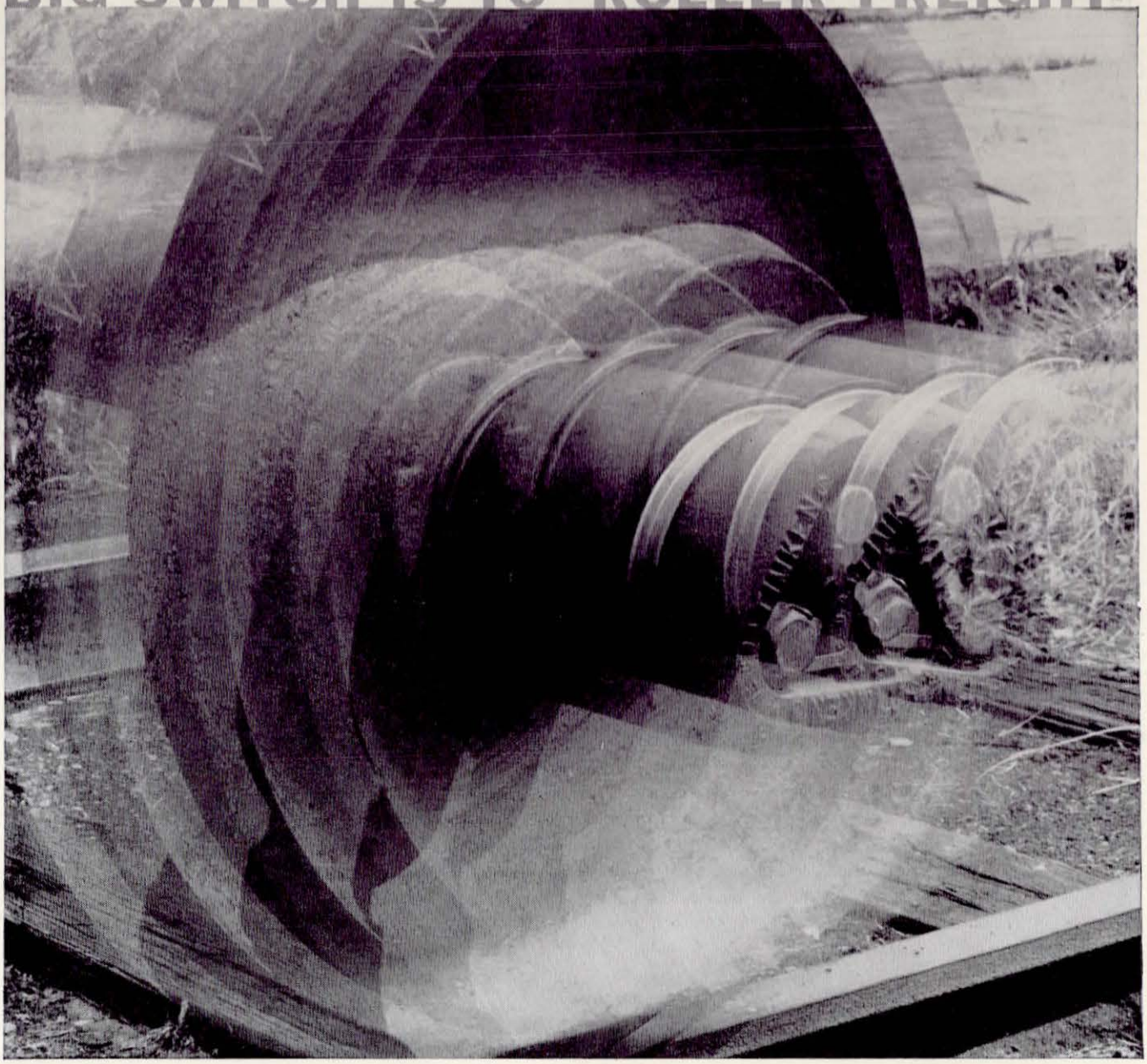

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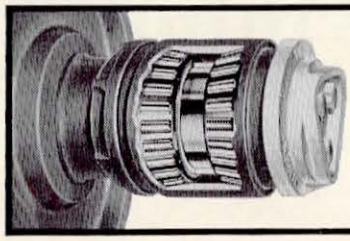

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